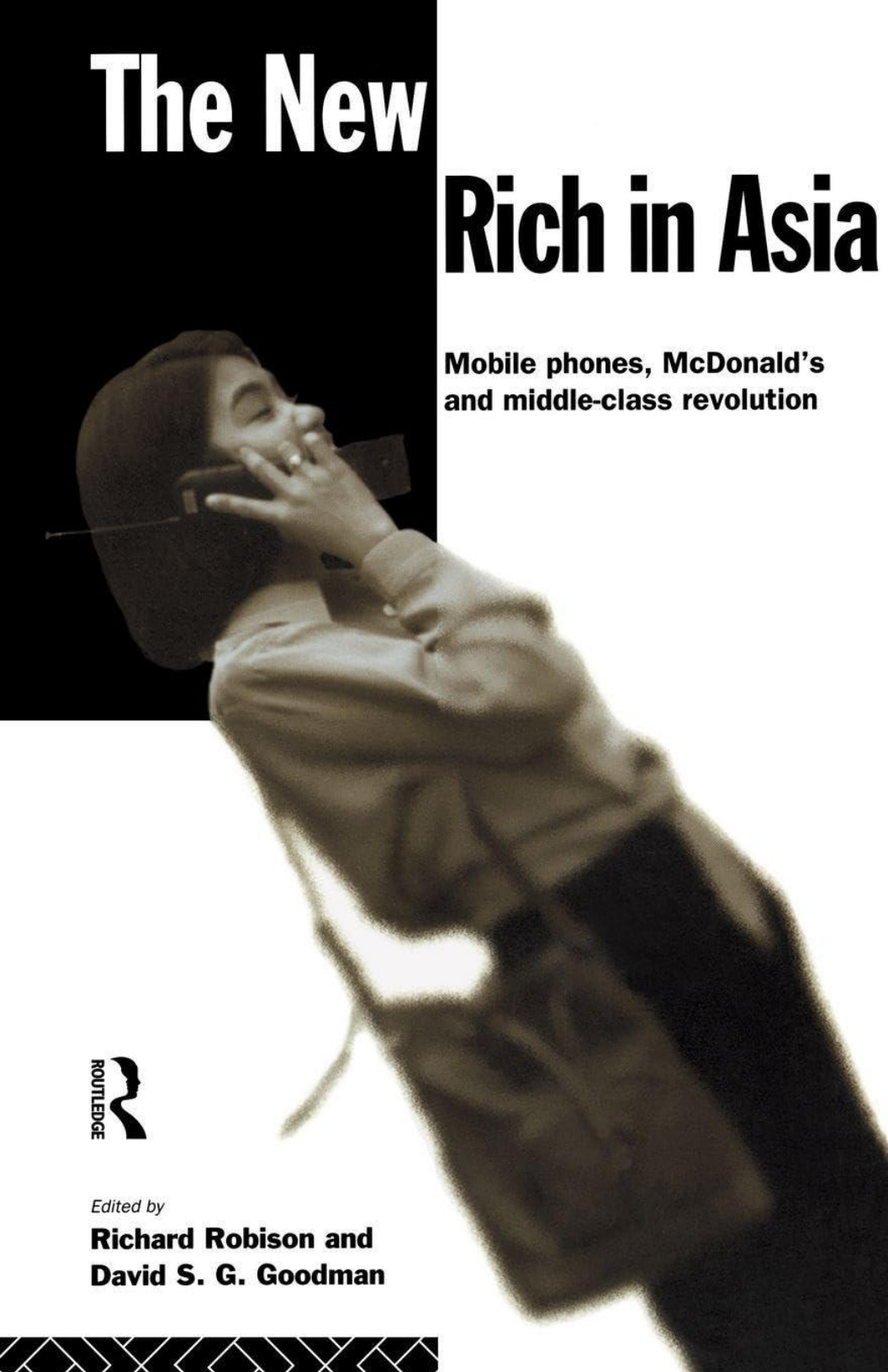
The New Rich in Asia

Mobile phones, McDonald's and middle-class revolution



ROUTLEDGE

Edited by
Richard Robison and
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The New Rich in Asia

In recent years dramatic changes in Asia's social and economic systems have seen the burgeoning of a substantial middle class. This has captured the imagination of the West, in large part because the new middle class represents massive new markets for Western-style products. But what are the other implications of the emergence of Asia's 'new rich'? Will they bring with them the institutions of liberalism, democracy, rule of law and new institutional freedoms? Or are Asia's new rich quite different?

The New Rich in Asia: Mobile phones, McDonald's and middle-class revolution introduces a new series examining the social, political and economic construction of the new rich in East and Southeast Asia. It raises central issues about the nature of the new rich, including their social, economic and political impact on the region.

The contributors are acknowledged experts on the social and political systems they dissect. Each study, based on detailed research, combines theoretical and empirical material. This volume provides a valuable insight into the composition and global economic impact of these newly emerging classes and highlights a common inheritance of rapid economic growth.

Richard Robison is Director of the Asia Research Centre at Murdoch University. **David S. G. Goodman** is Director of the Institute of International Studies, University of Technology, Sydney.

The New Rich in Asia Series
Edited by Richard Robison and David S. G. Goodman

The New Rich in Asia

Mobile phones, McDonald's and middle-class revolution

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David S. G. Goodman

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Preface

The Asia Research Centre on Social, Political and Economic Change was established at Murdoch University, Western Australia, as a special research centre by the Australian Research Council in 1991. Its major focus is the analysis of the newly emerging classes of East and Southeast Asia – the new rich – and not only their impact on their own societies and the region, but also the consequences for Australia. These perspectives have resulted in three kinds of research: studies of social and political change in the countries and societies of East and Southeast Asia; examination of relationships between Australia on the one hand, and East and Southeast Asia on the other; and the discussion of more theoretical and comparative questions about the processes of social change.

The New Rich in Asia is a series of six volumes presenting the comparative work undertaken and organised by the Asia Research Centre into the processes of social, political and economic change currently under way in East and Southeast Asia. Its focus is 'the new rich' not because of a belief in the absolute wealth of the region – although some undoubtedly have a cargo-cult mentality towards these economically developing societies – but because of the concern with those classes and social forces newly enriched in the processes of modernisation in this part of the world. Nor for that matter are the new rich necessarily the same as 'the middle class' or 'classes', although they are often interpreted in that way. The extent of that identification is precisely one of the key questions at the heart of this endeavour.

This volume is the first of a planned six-volume analysis of *The New Rich in Asia*. Its chapters seek to identify the new rich of East and Southeast Asia historically, politically, economically and socially, but do not proceed from the assumption that the new rich are liberal middle classes, or that wealth results in liberal democracy. Instead, they are concerned first to identify the different component elements of the new rich and to assess the

consequences of their emergence in a variety of areas: politics, ideology and culture, the organisation of social power, gender and the household, the relationship between state and economy, and, not least, perspectives of region, nation and world.

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Richard Robison
David S. G. Goodman

1 The new rich in Asia

Economic development, social status and political consciousness

Richard Robison and David S. G. Goodman

In recent years the imagination of the West, and indeed, of the East as well, has been captured by the dramatic emergence in East and Southeast Asia of a new middle class and a new bourgeoisie. On the television screens and in the press of Western countries, the images formerly associated with affluence, power and privilege in Asia – the generals, the princes and the party apparatchiks – however outmoded in reality, are being increasingly replaced by more recognisable symbols of modernity. Western viewers are now familiar with images of frustrated commuters in Bangkok and Hong Kong traffic jams, Chinese and Indonesian capitalist entrepreneurs signing deals with Western companies; white-coated Malaysian or Taiwanese computer programmers and other technical experts at work in electronics plants; and, above all, crowds of Asian consumers at McDonalds or with the ubiquitous mobile phone in hand.

It is as consumers that the new rich of Asia have attracted an interest of almost cargo-cult proportions in the West. They constitute the new markets for Western products: processed foods, computer software, educational services and films and television soaps. They are the new tourists, bringing foreign exchange in hard times. What has helped such an enthusiastic embrace of the Asian new rich is that they are emerging at a time when prolonged recession and low growth rates have depressed home markets in the West.

However, there are more subtle reasons that the new rich of Asia are looked at with such hope and expectation in the West. They are increasingly regarded as the economic dynamisers of the twenty-first century at a time when the old industrial economies of the West appear to be in decline. In this view it is they who can revitalise the world economy: they are the joint venture partners, the investors, the financiers, the fixers and facilitators whom Western companies increasingly need. They are also models of hard work and sacrifice juxtaposed by Western conservatives and the world of business to what they see as a process of decline in their own countries. For

these observers they are the antidote to the march of the welfare state, the indolence of modern youth, the disintegration of society and its values, the rising costs of labour and the power of unions and special interest groups. In other words, they constitute a new mythology for some sections of society in the West, recapturing the capitalist frontier and its lost values.

But the new rich of Asia mean all things to all people. For Western liberals, there is an expectation that the rise of the 'new rich' in Asia will be, in cultural terms, a process of convergence. The burgeoning middle classes and entrepreneurs are seen as embodying universal interests which will create an Asia more like the liberal stereotypes: more rational, individualistic, democratic, secular and concerned with human rights, the environment and rule of law. There is certainly a range of evidence that something of the kind is happening. Middle classes and sections of business have played an important, some would say decisive, role in the political transformations that have recently taken place in South Korea, Taiwan and Thailand.[1] Middle-class students were seen to be at the heart of the Tiananmen Square protests in 1989. In cultural life too there is an increasing vigour. Chinese film-makers are producing films that compete with the world's best at international festivals. Elements of the region's press and media exhibit a vitality and incisiveness that is far from the stereotype of submission and avoidance of conflict.

In other words, for those who look for it there is plenty of evidence that the rise of the new rich in Asia is involving important challenges to the world of hierarchy and elitism. Traditional notions of honour, dignity and status and presumptions of virtue and self-righteousness are being confronted with a culture of law, merit, the rights of citizenship and private property.

However, there are also puzzling contradictions. In several instances, where elements of the middle class and the bourgeoisie have played a central role in the overthrow of dictators – in Indonesia in 1966, Thailand in 1973 and the Philippines in 1986 – they have been unable to construct democratic regimes in the place of authoritarianism and have been overtaken by military dictatorships or forms of oligarchic authoritarianism. There is, therefore, some question about the capacity of Asia's new rich to carry out a genuine democratic revolution and, indeed, the depth of its commitment to such reforms. That is why all eyes are now on Korea, Taiwan and Thailand and the process of succession in Indonesia.

At the same time the rise of industrial capitalism has hardly been accompanied by the encouragement of free markets. Protectionism, tariffs, dumping, corruption and cartels have been central elements in this process and quite contrary to the liberal mythology of free competition within strictly defined common laws.

Nor, it seems, can the new entrepreneurial classes of Asia be entirely regarded as the bearers of a bourgeois culture of rationality and secularism. One impact of the rise of the new rich in China, Taiwan and parts of Southeast Asia has been the rapid increase in the demand for such products as tiger penis and rhinoceros horn. Wealth, in these instances, has simply enabled peasant dreams to be fulfilled and brought the endangered species of the world closer to extinction. In Japan, the spectacle of well-dressed businessmen, on their way home in the underground, reading, not the financial press or even the sporting press, but pornographic comics, appears incongruous to Western observers.

What the West sees, therefore, is a set of mixed signals. The new rich in Asia appear as likely to embrace authoritarian rule, xenophobic nationalism, religious fundamentalism and *dirigisme* as to support democracy, internationalism, secularism and free markets.

Some Asian leaders, notably Singapore's Lee Kuan Yew and Malaysia's Mahathir, seek to explain the apparent contradictions of modernisation by claiming that Asian societies are travelling a different path. In their view there is no universal secular culture inherent in the new rich of industrial capitalist societies. Instead, national cultures are seen to transcend the processes of social and economic change. Secularism and liberalism are not, in their view, the cultures of industrial societies but the cultures of the West. They have mounted public campaigns exhorting their citizens to resist the decadence of Western culture, to look to the Confucian heritage or simply to 'look East'.

However, the apparent contradictions of contemporary Asian modernisation might also be explained by a fatal flaw in the mythology through which, at least, liberals in the West approach the question of convergence. This mythology applies not least to its own history: it is, after all, difficult to reconcile the rise of the great robber barons of US and British capitalism in the nineteenth and early twentieth centuries with notions of rational secularism, rule of law or a concern for human rights. Indeed, it is extremely difficult to understand the US and Australian corporate carpetbaggers of the 1980s in the context of that liberal mythology.

A key feature of the arguments presented here about the new rich, and one that helps explain many of these contradictions of modernisation, is that they are far from homogeneous in any respect. The middle classes and bourgeoisie may be lumped together in one monolithic category as the bearers of 'modernity' by contemporary Western observers of Asia and by many scholars, but they are in fact a diverse and fractured social force. It has been a concern for social philosophers from Mill and de Tocqueville to Schumpeter and Veblen that those same elements that carry the dynamism

and creativity of bourgeois society, its entrepreneurial capitalists, at the same time embody its unself-reflective and potentially destructive nature. This is in contrast to the middle classes or the professional and managerial bourgeoisie whom the same philosophers regarded as both the civilising influence upon unrestrained capitalism and the element that blunts its dynamism by imposing regulation and control.[2]

A first task for the contributors to this volume is therefore to disaggregate and unravel the new rich. The fact may well be that there is not one convergence but several. What offends and surprises Western liberal observers is what delights Western conservatives. Capitalist society has several cultures. Pressures for the ascendancy of the unrestrained interest of the individual over society manifest in *laissez-faire* forms of capitalism contend with other models aimed at achieving the common interests of all capital through rule of law. Different elements of the new rich in the one society may favour different forms of social and economic organisation: oligarchy, corporatist authoritarianism, or liberal democracy.

The precise configuration of social power and ideological predisposition in capitalist societies and the nature of political and economic regimes depends upon the specific historical circumstances in which they were formed. Just as there were many variations and models in the European processes of transition to capitalism, so there are in Asia.

If it is possible to identify a common theme in the Asian transition it is that the state has generally played a central role. The new rich in Asia, particularly East Asia, emerge, not from societies where the tradition of the urban burgher and merchant and trade guilds were strong, even in earlier, more traditional eras of rule, but from agrarian pre-capitalist and colonial bureaucracies and sometimes from communist party rule. Civil society has been traditionally weak. The state may be compared more with the absolutism of Germany and France that produced the Bonapartist and Bismarckian paths to industrial capitalism than with the liberal transition of England.

In the first European transitions the development of capitalist society was predicated upon a rolling back of feudal absolutism, to secure the rights of property, citizenship and the individual against the state.[3] In Asia, as was the case in Germany and Eastern Europe, it has tended to be the state that has acted as the midwife of capitalism. It has not been in the freedom of *laissez-faire* but in the incubator of *dirigiste* regimes that the *chaebols* and *zaibatsu* and their equivalents have flourished. Where *laissez-faire* capitalism is now emerging after a period of *dirigisme*, it is the state that has provided the political conditions for this to take place.

The timings of the transition are also critical. Whereas in Britain the pace of industrialisation was relatively slow and proceeded incrementally

upon the basis of technologies that could be produced in small workshops, the rate of change in Asia today compresses what took centuries in Britain into mere decades. The era of an industrialisation based upon low-wage labour lasted only fifty years in Korea and Taiwan. Industrialisation in the late twentieth century requires large capital investments, high technologies, international joint ventures, and access to international financial networks and markets.

The analysis of the impact and significance of the new rich in Asia thus extends well beyond the boundaries of any single country to address some very large comparative and historical questions. These questions examine not only how we live in industrial societies at the end of the twentieth century, but also how we conceptualise those processes and that existence. The most important is probably the extent to which there is a universal process of modernisation and a role for the new rich which it engenders. Concepts such as the middle class, the bourgeoisie and capitalism certainly seem to embody universal factors, and have real meaning, if only and not inconsiderably as motivational ideas. At the same time each example of the process of modernisation has certain unique characteristics derived from historically specific conjunctures.

THE NEW RICH

The term 'new rich' is a starting point for examination, and by no means a precise analytical tool. It is used as a broad brushstroke to encompass those new wealthy social groups that have emerged from industrial change in Asia, particularly during the past two decades. The common basis of their social power and position is increasingly capital, credentials and expertise rather than rent or position in the state apparatus or a feudal hierarchy, although state power and capital ownership are often not as clearly differentiated as they are assumed to be in the cases of Europe and North America.

As with all broad brushstrokes, a term like 'the new rich' includes within it elements that are quite different. A most important distinction is that between the bourgeoisie and the professional middle classes, between owners of capital and the possessors of managerial and technical skills.

Other distinctions are also critical. There is a vast difference in interest between the family directors of the corporate conglomerates of the region and the small regional or local traders or retailers. As in the West, the populism of the petty bourgeoisie is in sharp contrast to the secular world views of many of the larger, urban corporate bourgeoisie. Similarly, the middle classes range from highly paid professionals and managers to the village school teacher and postal clerk.

Because the new rich is neither a cohesive category, nor one that springs from a common historical experience, its impact may differ from one country to another and be the consequence of different sets of conflicts of interest, not least within the new rich itself. There may be one pattern, or more likely several, to the way that the emergence of the new rich has influenced the cultural, social, economic and political life of the societies of East and Southeast Asia. However, this is not to say that anything can happen. There are certain basic common and non-negotiable interests that must be met and expressed within the political, ideological and social arrangements that the new rich constructs for itself. These non-negotiables derive from the need to protect the new bases of their social and economic position: capital, contracts, property, rule of law.

The words 'new' and 'rich' are perhaps most appropriate to the new social strata of wealth emerging in those command economies, such as China and Vietnam, now in transition to market systems of economic organisation. In those societies, where economic power has long been embodied within bureaucratic hierarchies of the state apparatus, the emergence of individuals with private control of investment capital, and often unprecedented amounts of private disposable wealth, has had a dramatic impact. The most publicised of such developments has been the emergence of private entrepreneurs. These range from the new capitalist farmers and private sector traders to much larger-scale industrial capitalists, often entering into partnerships with foreign investors. Less obvious but perhaps more important in the development of capitalism are the new kinds of managers who control the entry of huge state enterprises into the market. However, even where these new rich emerge from within the state and remain officially part of it, their increasing independence from the central structures of the command economy and the increasingly market-based calculations upon which they operate marks them out as a major departure from the previous order.

While corporate capitalists and the middle class have been part of the social fabric of the capitalist economies of East and Southeast Asia for several decades, there are interesting and important parallels with the unfolding of events in China and Vietnam. Apart from the Philippines, industrial capitalism emerged in those countries within the framework of political authoritarianism and interventionist states.[4] The political, ideological and economic agendas were set largely by generals, party bosses or bureaucrats operating from within the state apparatus or state parties rather than by capitalists and the middle classes. Capitalist industrialisation has taken place outside the liberal pluralist political paradigm. Indeed, there have been important resemblances to Bismarckian industrialisation as

understood by both Marx and Weber; to Gerschenkron's 'late industrialisation', and to Barrington Moore's concept of 'revolution from above'.

State technocrats and state managers have played a strategically critical role in the economy, and the consequent patterns of economic development bear the strong imprint of state orchestration. Social and political life is heavily influenced by views that the national interest should assume priority over vested interests, with the state naturally constituting the guardian of the former. Although these states have been characterised as primarily anti-communist, anti-liberalism is a much neglected characteristic. Necessarily this picture varies, with Indonesia perhaps most closely resembling the archetypal centralised, state-driven command economies, and Thailand closest to liberal pluralist models. None the less, on balance these are generally capitalist societies where civil society has been subordinated to the state.

During the past decade there have been fundamental challenges to the role of the state in capitalist East and Southeast Asia as in the communist societies. The explosion of an elite culture of materialism, individualism and conspicuous consumption based on the growth of private disposable wealth is in sharp contrast to the culture of the state and the official. A growing middle class based on educational qualification and expertise confronts old networks of patronage and loyalty. Corporate enterprise sits within an uneasy relationship of state and market in which neo-patrimonial and mercantilist tendencies vie with pressures for a more regularised role for the state.

These new conflicts might be characterised as the consequence of the emergence of the new rich, given that they bring to bear new forms of wealth generated through new systems of accumulation. However, any simple juxtaposition of the new rich and the state as inherently hostile is an inadequate basis for analysis. The new rich do not constitute a monolithic and homogeneous category, and cannot automatically be assumed to have a vested interest in subordinating the state to society and making accountable its officials. They are both new allies and new enemies for old power centres. Nor is liberalism – be it liberal parliamentary democracy or *laissez-faire* capitalism – the only logical consequence that attends the emergence of the new rich. Authoritarianism and *dirigisme* may coexist quite profitably with capitalist industrialisation and its resultant new rich.

THE MIDDLE CLASS

The middle class has achieved a degree of prominence in the politics of Asia in recent years. In May 1992 the street battles between the military and

the demonstrators in Thailand were widely characterised as a middle-class revolt, and the resulting fall of the military leader Suchinda as the triumph of democracy.[5] This incident was reminiscent of the street battles against Marcos in the Philippines in 1985, and those that precipitated the fall of Chun Doo-hwan in 1987 in South Korea. In both cases the middle class appeared to play a prominent role in its calls for democratic reform. Similarly, the Tiananmen Square student revolt of 1989 was widely considered to be a manifestation of middle-class ambitions.

Yet in the case of the Philippines and Korea the fall of the dictators of the time did not usher in an era of liberal democracy. In the Philippines a revival of oligarchic democracy based on the power of landed families has occurred, while in Korea the new democratic forms appear to mask the old system of state power. Historically, middle-class interventions have also frequently resulted in what are simply transitions to new dictatorships rather than liberal watersheds. The fall of Syngman Rhee in 1961 (in Korea) and that of Thanom in 1973 (in Thailand), for example, were also related to middle-class street demonstrations.

The lessons for the political role of the middle class are far from clear. It may signify that the middle class is congenitally unable to hold real power in its own right, and is forced to rely on alliances or coincidences of interest with other social groups. Alternatively, it may be that the middle class, in situations where it still fears mass radical movements or social chaos, is interested only in reforming authoritarianism.

A large part of the answer to these questions lies in the inadequacy of the term 'the middle class' to identify a category of social interest and action. The debate over what constitutes the middle class is extremely complex, and can only be partly addressed here. Liberal pluralists tend to regard the middle class as primarily a cultural entity defined by values of individualism and rationality, as well as by other Weberian indicators of status, occupation and income. Hence there is usually no distinction between the middle class and the bourgeoisie, and no means of distinguishing between the sort of social power that derives from property, on the one hand, and salaries and qualifications, on the other. Consequently, there is no real guide to the political identity of the middle class other than its modernity and interest in the legal protection of property.

At the same time, there are neo-Weberians who make clear distinctions between the capitalist and middle classes. For Mills, the new middle class is the result of the demise of entrepreneurial capitalism and the rise of corporate capitalism with its army of managers, technocrats, marketers and financiers. The middle class is therefore the skilled workforce of capitalism and expands with it. Giddens differentiates the middle class from the

bourgeoisie on the basis of market capacity: ownership of property versus possession of qualifications.[6]

A central problem for analysis has been the internal division of the middle class, and the tendency for different components to play quite different political and ideological roles. It is far from clear that the middle class is a coherent category. An interesting neo-Weberian attempt to overcome this problem was undertaken by Roberts, Cook, Clark and Semeonoff, who differentiated between strata – aggregates of individuals located at particular points of inequalities, defined in terms of such objective factors as wealth and income – and class – defined as a subjective entity within which individuals identified themselves in a hierarchial order.[7] At one level, they see the middle class as a subjective category, defined by the consciousness of its members. At another, they identify four major factions defined by objective social position, and embodying specific political propensities. These are the self-employed, politically a mixture of right-wing conservatism and radicalism (assumed to include such historical forces as fascism, Poujadism and varieties of populism); the middle core, conservative and anti-union (including professional and managerial elements); the white-collar proletariat, on low wages and with a working-class outlook (perhaps teachers and clerks would be representative of this category); and liberal and intellectual radicals.

Although there are serious conceptual problems with the relationship between the subjective notion of class and the objective notion of strata, the recognition that the middle class has significant internal divisions is important and useful. The question then is whether the middle class has a coherent identity of its own at any level, or whether it is simply a residual category whose constituent parts have quite divergent interests and agendas, and which acts only in alliance with fractions of capital or labour.

Marxists have not fared any better in their attempts to conceptualise this difficult social category. Marx himself not only referred at different times to the middle class, but in *Theories of Surplus Value* even predicted that eventually only one-third of the population would take a direct part in material production.[8] On this basis Nicolaus has argued that the labour theory of value is effectively the law of the surplus class or the 'law of the tendential rise of the middle class'.[9] Marx never pursued his theoretical analysis of the middle class and left those who followed to reconcile the notion of middle class with a general theory of class conflict. The primary puzzle was the apparent disjuncture between the objective class position of the middle class, and its political and ideological identity.

Various commentators – notably Poulantzas, Wright, Carchedi, Mills and the Ehrenreichs[10] – have drawn on the Weberian notion of class arising

from the uneven distribution and acquisition of market rewards and placed this in the context of class analysis. To the idea of class domination they have added a notion of class conflict where the classes result from the technical division of labour: there are supervisors and the supervised, the possessors of knowledge and the semi-skilled. Table 1.1 summarises their various classifications.[11] Although such approaches do allow explanation of the political and cultural roles of the middle classes, they retain the uneasy, and possibly contradictory integration of class and strata.

In all cases, the routine mental workers and the relatively unskilled clerical levels are separated from the middle class and included with the proletariat. For some of these commentators, even professional and technical workers are to be regarded as part of the proletariat. In general, the dividing line between the middle class and any 'lower' class appears to be related to the control and supervisory, capacity exerted over labour.

The central principle to emerge is that most Marxists regard the middle class as being clearly divided in terms of its potential impact on the political, ideological and economic structures of modern capitalism. In the words of Val Burris, it is argued

Table 1.1 Models of class division among salaried workers

Detailed class fractions	*Poulantzas*	*Mills*	*Ehrenreichs*	*Carchedi*	*Wright*
Managers and supervisors		New middle class	Professional–managerial class	New middle class	Managers and supervisors
Professional and techical workers	New petty bourgeoisie			Proletariat	Semi-autonomous (credentialed) employees
Routine mental workers		Proletariat	Proletariat		Proletariat
Unproductive manual workers					
Productive manual workers	Proletariat				

> that an adequate model of the class structure of contemporary capitalist society must come to terms with the fact that the major political cleavage in such societies is one that cuts through the middle of the white collar ranks. There are any number of possible class models consistent with this finding: lower white collar employees might be classified as working class and upper white collars as middle class; both might be classified as a heterogenous intermediate stratum. . . . What is not consistent with the empirical evidence is any theory that treats all white collar employees as members of a single cohesive class – whether as part of the working class or a separate new middle class.[12]

Given these profound analytical and conceptual problems one must look elsewhere for an explanation of the popularity of the 'middle class' as a term in social analysis. Clearly the middle classes represent a new set of social interests that regimes must take into account. What now becomes critical for these new social interests are living standards that include high levels of consumption and a greater emphasis on leisure; a greater concern for education as a central mechanism for securing position and wealth; a desire for predictability and certainty of laws; and access to information and analysis. As the skills and, indeed, the purchasing power of the new middle classes become more essential to industrial capitalism, the state and capital are increasingly driven to accommodate this social force, whether it be within a conservatism that offers stability and protection, or a liberalism that offers more direct participation in the process of government.

THE BOURGEOISIE

One of the major developments in capitalist Asia has been the emergence of a bourgeoisie. While in many cases initially fragile and dependent upon the state, and in other cases emerging from the state itself, the economic and social power of a vigorous bourgeoisie is now entrenched in many countries and well on the way in others. Like the middle classes, the bourgoisie possess a variety of internal fractions that may hold contending interests and play different political roles, although they may hold a core of universal common interests. The internal fractions are potentially numerous: declining petty traders and producers, monopoly holders in trade, exporters of low-wage manufactures and those in upstream capital and intermediate goods production, bankers and mining companies, and so on. All of these may hold differing positions on a range of policy issues from trade protection to the provision of infrastructure and exchange rate policy.

Perhaps a key issue has been that of the relationship between the bourgeoisie and the state over questions of rent-seeking and policies of industrial mercantilism; in other words, the question of whether the bourgeoisie ultimately seeks a role for the state in which it provides and manages a regulatory framework in which the market may effectively operate.

Weber and Marx both drew attention to the fundamental contradictions between mercantilist or patrimonial political regimes, and a capitalist class whose business activities were increasingly dependent upon predictability, the rule of law and institutions that guaranteed the general interests of capital. Nigel Harris has recently outlined the conflicts between state and capital that emerge during a period of 'national capitalism'. During such periods, he proposed, authoritarian states preside over a form of mercantile or patrimonial industrialism similar to that which existed in Korea during the rule of Park and Chun. However, Harris argues:

> What was set up to speed development becomes an inhibition to growth as capital develops, as output diversifies, as businessmen are increasingly drawn to participate in the world economy, and as the need for the psychological participation of a skilled labour force supersedes the dependence upon masses of unskilled labour: capitalism 'matures'. The old state must be reformed or overthrown, to establish the common conditions for all capital: a rule of law, accountability of public officials and expenditure, a competitive labour market and, above all, measures to ensure the common interests of capital can shape the important policies of the state. Thus the enemy of capitalism is not feudalism but the state, whether this is the corrupt, particularist state, state capitalism, or, as is more often the case, a combination of these.[13]

This does not mean that the bourgeoisie is naturally attracted to liberal democracy. All it implies is that there is pressure for the state to provide a general environment in which capital may thrive, and an institutional structure that allows capital to shape the main policy decisions: a capitalist republic rather than a pluralist democracy.

At the same time, there is by no means a simple dynamic to the relationship between the state and capital. In the Philippines, the opposition of business to Marcos was based partly on the fact that his policies were bankrupting the nation, and partly on the resentment of some elements of capital to the channelling of resources to cronies. However, after Marcos's fall they acquiesced in a return to the corrupt patrimonialism of oligarchic democracy. This was clearly no revolt of 'mature capitalism' against national and mercantilist industrialism.

To a large extent the Philippines is an exception within East and South-east Asia because of the very direct and open nature of business involvement in the fall of the regime. Elements of business publicly demanded the removal of Marcos and openly financed the opposition movement. In Korea, it could be argued that the fundamental changes described by Harris were made in the period of transition from Park Chung-hee to Chun Doo-hwan, between 1979 and 1981, when the way was opened for a metamorphosis from mercantilist industrialisation to a more market-oriented and internationalised industrialism. The involvement of business in those changes, and in the political changes that followed the departure of Chun in 1987, was less direct and more structural. Its interests were influential because the economic consequences of ignoring them were potentially catastrophic for the government.

Nevertheless, it is the case that strong bourgeoisie continue to flourish within economic regimes that by liberal standards are clearly mercantilist and involve the intervention of the state both to 'create' comparative advantages and still contain important elements of rent-seeking.[14] Attempts to reorganise the relationships between state and capital – to move towards deregulated, market-oriented economic systems – inevitably involve bitter conflict within the business community. Increasingly, the smaller capitalists and the petty bourgeoisie have resisted the internationalisation of their economies and are prepared to support governments that take a nationalist and populist line. Large corporate conglomerates, on the other hand, are increasingly welcoming international integration although this is often sought with the state defining, as far as possible, the terms on which it occurs. Even within these larger corporations, as the case of Indonesia illustrates, there remains an important dependence on state protection and favour among those reliant on trade and other monopolies. This is a dependence not shared by those involved in export-oriented manufacture. One quite important observation in the case of Asia is that the liberalism of the Manchester capitalists in nineteenth-century England has not been replicated. The age of *laissez-faire* capitalism has clearly passed.

TIMING AND RELATIONSHIPS

Kurth has drawn attention to the various roles that the different classes, the bourgeoisie and the middle classes, and the state play at various stages of the industrialisation process. Why was it, for example, that liberalism was driven by manufacturers in nineteenth-century England but by middle-class intellectuals in Eastern Europe, including Prussia? Why is it the middle classes rather than the bourgeoisie, according to Cheng, that have been at

the heart of liberal reform in Taiwan? In part, the English experience is a result of the manufacturing bourgeoisie's interest in free trade and freedom from mercantilist restrictions imposed by feudal absolutism. Liberal reform of politics was a necessary part of the solution. In Eastern Europe, and, indeed, in Northeast Asia, the bourgeoisie was nurtured in the protective incubator of authoritarian states and protected economic regimes. The middle class were not confronted with either a developed and organised bourgeoisie or working class although they have to deal with a highly sophisticated state apparatus. The different situations suggest different possibilities for alliances.

Consequently, sorting out relationships within and between classes is critical to the analysis of the impact of the new rich on the processes of change, as is plotting the factors that may change the wider environment. Such factors include changing relationships between nation-states and the international economy illustrated in policy shifts from import substitution manufacture to export-oriented manufacture. However, the impact of the new rich on economic and political life is not to be measured or observed only in terms of organised political activity or the carriage of ideas and values.

WHERE TO GO FROM HERE?

The case studies in this volume are intended to place the new rich of each of the countries and territories under study in their specific historical contexts. The essential task is to identify the new rich and disaggregate its various component elements. These structures differ from one society to another because of the different historical pathways which have led to industrial capitalism. The relative importance of the state and state capital, big bourgeoisie and the petty bourgeoisie, rural and industrial capital, exporters and importers, and the middle class, varies from one case to another. Integral to this task is the analysis of the relationships among the constituent elements of the new rich and those between the new rich and its other social and political forces. It is these relationships that set the constraints and shape the options for political and social action, including the possibilities for social and political alliances.

For example, in the Philippines, US colonial rule was an effective incubator for the emergence of a bourgeoisie, based on rural capital, with an effective class ideology and organisation. It was these landed and bourgeois families that established their hegemony partly through control of the state and partly through effective alliances with US capital. Such a situation differs markedly from that in Korea and Taiwan, for example, where the state played the central role in the formation of a bourgeoisie and

where corporate capital and the state have formed a cohesive political alliance. A strong state was also critical in Indonesia where colonialism left a weak and fragmented bourgeoisie and middle class which proved unable to secure either social or political dominance. The difference in the Indonesian case is that the authority and power of the state was successfully appropriated by a strata of officials with a discrete set of interests and a strong ideological framework for their identity and role. Strong states also existed in both Thailand and Singapore. Thailand can be seen to resemble Indonesia to some degree, the difference being that the balance of power between the state and its officials on the one hand and, on the other, the bourgeoisie and middle classes has always been tilted more heavily in the latter's favour. In the case of Singapore it could be argued that the state has represented an alliance of state power and the middle classes.

These are all cases of the development of a new rich in the context of a self-evidently capitalist transition. In the case of China, however, a centralised communist state has provided the framework for industrialisation and today it is this same communist party apparatus that provides the incubator for the capitalist revolution. The new rich emerge from the state itself in a process that blurs notions of public and private, state and market.

It is these structures and relationships that provide a framework for the influence that the new rich bring to bear on intellectual and political life. Middle classes in the Philippines must deal with a highly organised and politically dominant bourgeoisie. For the middle classes in Korea and Taiwan, it is the alliance of the state and the larger elements of corporate capital that dominate. In Indonesia, the potential of the bourgeoisie to establish itself as a ruling class is limited because it is dominated by Chinese Indonesians whose public political and social role is constrained.

As already indicated, this is the first of a six-volume series that seeks to identify and analyse the new rich of East and Southeast Asia. Questions of structure and relationship are a basis to understanding further aspects of the role of the new rich in Asia, and will be considered in further studies in this series which will include the new rich and the question of political opposition; new forms of social wealth and the question of gender; the ideologies of the new rich; and the transregional new rich.

NOTES

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Singapore

GENERAL

Land area	616 sq. km
Population (mid 1992)	2.8 million people
Nominal GDP (1992)	US$46,025 million
share of agriculture	0%
share of industry	38%
share of manufacturing	28%
share of services	62%
Average annual GDP growth rate (1980–1992)	6.7%
GDP per capita (1992)	US$16,438
GNP per capita (1992)	US$15,730
Monetisation level (broad money [M2] as % of GDP; 1992)	129.0%
Average annual growth rate of M2 (1980–1992)	13.6%
Central government budget surplus or deficit as % of GNP (1992)	+ 9.2%
Current account surplus or deficit (after official transfers; 1992)	+ US$2,929 million
Merchandise trade surplus or deficit (1992)	– US$8,681 million
Gross domestic savings as % of GDP (1992)	47%
Gross domestic investment as % of GDP (1992)	41%
Tax revenue as % of GNP (1991)	16%
Total external debt	–
Percentage of population of working age (15–64; 1990)	71.1%
Number of students in higher and university education (1993)	0.1 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US$14,734
Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1983)*	9.6

Percentage of urban population (1992)	100%
Total employment (1992)	1.6 million
of which professional, technical workers	19.5%
of which administrative, managerial workers	10.0%
of which clerical, sales, services workers	28.1%
of which agriculture, production, transport workers and equipment operators	42.4%
Gross tertiary enrolment ratio**	–
Life expectancy at birth (1992)	74.2 years
Population with access to safe water (1988)	100%
Total consumer expenditure (1992)†	US$19,821 million
share of food, drink and tobacco	26.3%
share of clothing and footwear	8.3%
share of housing and fuels	12.0%
share of household goods and services	10.4%
share of health	5.4%
share of leisure and education	17.0%
Per capita energy use (oil equivalent; 1992)	4,399 kg
People per telephone (1988)	2.2
People per TV (1990)	2.6
People per doctor (1991)	730.4
Per capita consumption of beef (1991)	6.2 kg
Per capita consumption of poultry (1991)	4.3 kg
Per capita consumption of fish	–
Per capita consumption of soft drinks (1992)	59.5 litres
Book titles published (1983)	1,927

Notes:
* Data refer to income shares by fractiles of households, ranked by household income.
** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
† The percentage figures for consumer expenditure are on selected consumer items only.

Sources:
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2 Class transformations and political tensions in Singapore's development

Garry Rodan

Singapore's economic expansion in recent decades has been dramatic. Since 1960 its per capita gross national product has increased seventeenfold and now approximates those of Australia and New Zealand. The interrelated objectives of employment creation and economic growth through industrialisation have long given way to more ambitious aims. For at least the last decade, economic policy has been oriented towards securing technology-intensive niches in the international economy in a range of service and manufacturing industries.

However remarkable Singapore's economic transformation may be, it has been accompanied by equally remarkable social dynamics. In particular, the economic process has generated changes in class structure and levels of affluence which are manifesting in new lifestyles, cultural patterns and political expectations. Official recognition of the changing social face of Singapore is reflected, among other things, in more quality-of-life goals in government development plans. But political stability has been one of the enduring and contributing factors in Singapore's economic transformation and associated status as a newly industrialising country (NIC) since the late 1960s. What, then, are the implications of emerging social forces for the authoritarian and paternalistic rule that has prevailed under the continuous government of the People's Action Party (PAP) since 1959? What position and role can we expect the now substantive and expanding middle class in Singapore to play in the political process?

The argument developed here is that Singapore society and polity are indeed undergoing significant change as more members of the middle class assert their preferences and aspirations in both realms. Increasingly, they seek greater autonomy from the PAP state in an attempt to take more direct control over their lives. But to a large extent this involves autonomy as consumers, especially of cultural products, rather than autonomy to challenge the distribution of social and political power in Singapore

society. The exceptional control and influence that the state exerts over the economy has significantly conditioned the interests and perspectives within the middle class, and much of the domestic bourgeoisie for that matter. Indeed, the middle class has a considerable stake in the PAP state and its associated elitist ideology which legitimates their privileged social and economic positions. Hence, while a limited measure of middle-class activism has surfaced, seeking to carve out non-state political space, this is characteristically of a non-threatening nature.

It is not mounting agitation for political change from within the middle class that challenges the ruling party; rather, it is the tendency towards widening material disparities between classes. The increase in conspicuous consumption of the middle class heightens awareness of the absolute differentials in material living standards in all advanced capitalist societies, but in Singapore's case the government's role in institutionalising middle-class privileges leaves it vulnerable to working-class alienation. This point was underlined by the 1991 general election results and the government has subsequently focused its attention on the difficult task of redressing real and perceived material inequalities. It is trying to achieve this, however, without compromising its elitist meritocratic ideology or the fundamental social and political order built up by the PAP over the last three decades which that ideology legitimates.[1]

ECONOMIC GROWTH, SOCIAL DEVELOPMENT AND CONSUMPTION PATTERNS

The turning point in Singapore's economic development was the adoption in the mid to late 1960s of an export-oriented industrialisation (EOI) programme. This was introduced against the background of a failed political merger with Malaysia and, subsequently, the announcement of the withdrawal of British military bases from Singapore. Collectively these developments represented potential economic disaster for Singapore. However, favourable global trends in investment were to combine with active local state initiatives at the economic, social and political levels. This led to Singapore's incorporation into the unfolding new international division of labour in manufactures.[2] Under this structure, production was for the first time organised on a genuinely global basis to take advantage of differing costs, principally labour costs, across national economies. This opened the way for a significant, even if selective, relocation of industrial activity to developing countries.[3]

In the first instance, Singapore entered this structure as a source of relatively cheap, semi-skilled labour and was principally a site for the

assembly of consumer goods, notably in the electrical and electronic industries. Before long, however, international companies began to move slightly more sophisticated operations to Singapore, though always with the primary aim of exploiting labour cost advantages over traditional production sites in the advanced industrial centres of the world.

As can be seen from the indicators presented in Table 2.1, impressive growth rates have been sustained in Singapore for over three decades. The success of the EOI strategy has been central to this growth. Direct manufactured exports, negligible in the first half of the 1960s, rose to a value of S$47,520 million by 1990. This has largely been facilitated by sharp rises in foreign investment which climbed from a modest S$157 million in 1965 to S$23,903 million by 1990.

Table 2.1 Basic economic data for selected years, 1960–1990

	1960	*1970*	*1980*	*1990*
Gross domestic product (annual charge by percentage at 1985 market prices)	8.7	9.4	9.7	8.3
Per capita gross national product (S$)	1,330	2,825	9,941	21,657
Total domestic exports (S$ million)	217	1,832	25,805	62,754
Domestic manufactured exports (S$ million)	1,043	2,044	19,875	47,520
Net foreign investment commitments in manufacturing (S$ million)	n.a.	703	1,189	2,218
Cumulative foreign investment (gross fixed assets in S$ million)	n.a.	1,575	7,090	23,903
Official foreign resources (S$ million)	n.a.	3,098	13,758	48,521
Unemployment rate (per cent)	4.3	6.0	3.0	1.7

Note: Except where otherwise indicated, all figures in current market prices.

Sources: Ministry of Trade and Industry, Republic of Singapore, *Economic Survey of Singapore 1990*, Singapore; Department of Statistics, Singapore, *Economic and Social Statistics Singapore 1960–1982*; Economic Development Board, Singapore, *Annual Report 1970*; *Economic Development Board Yearbook 1991/92*.

Driven by this massive infusion of foreign investment for export production, the manufacturing sector's contribution to GDP, which stood at 17.6 per cent in 1960 and dropped further within that decade, climbed to nearly 30 per cent by 1980. As Table 2.2 reflects, manufacturing is still important, but Singapore's economy has been maturing and diversifying since the 1980s with activities in the services sector, especially financial and business services, assuming an increasingly vital role. The government has actively encouraged this development – partly out of recognition that the EOI strategy has peaked, and partly due to the severe effects in the mid 1980s of a sharp fall in demand for manufactured exports which highlighted the susceptibility of the existing economic structure. Attention is now focused on the need for greater integration with fast-growing regional economies as a basis for sectoral diversification and further technological upgrading of the economy.

Although there are challenges ahead in Singapore's economic transformation, the prospects for the short to medium term are for continuing prosperity. Certainly with per capita income rising from just S$2,825 in 1970 to S$21,657 by 1990,[4] expectations have been raised, particularly among the generation that has only experienced the buoyant economic times since the 1960s. As Deputy Prime Minister in 1984, Goh Chok Tong set the goal in his *Vision 1999* statement of Singapore surpassing the 1984 Swiss standard of living, as measured by gross national product, before the turn of the century. On current projections that will occur ahead of time. More recently, under the 1991 *Strategic Economic Plan*, attention has

Table 2.2 Gross domestic product by industry for selected years, 1960–1989 (per cent at 1985 market prices)

	1960	*1970*	*1980*	*1990*
Commerce	26.0	22.1	18.4	16.5
Financial and business services	14.9	17.0	20.0	26.1
Transport and communications	9.3	7.3	11.6	13.3
Manufacturing	17.6	24.9	28.6	27.2
Construction	5.6	9.5	6.9	5.0
Others	26.7	19.2	14.6	11.9

Source: *Economic Development Board Yearbook 1991/92.*

turned to the task of 'catching up on a moving target basis' with American living standards by the year 2030.[5] In the same year, the government released a blueprint for the long-term physical development of Singapore, the *Concept Plan*, which contained plans for better homes, more efficient transport, more recreational opportunities and general quality-of-life improvements. Also in 1991 a government document, *Singapore: The Next Lap*, tied explicit social and environmental objectives to long-term development plans and strategies.

Table 2.3 provides some general indicators of the social changes that have accompanied Singapore's recent economic development. In particular, the last decade has witnessed an almost doubling of the population with secondary or higher education qualifications. Growth in post-secondary education enrolments has been particularly impressive, up from 22,633 in 1980 to 65,775 in 1992.[6] There has also been a noticeable increase in the proportion of females in the labour force, a development that is not just driven by increased opportunity but promoted by government for economic reasons. The pace of economic growth combines with an ageing population profile to place increasing strains on a limited domestic labour supply.

One of the most outstanding features of Singapore's economic and social development has been the role of subsidised public housing. Virtually the entire physical face of Singapore has the imprint of the Housing Development Board (HDB). Its extensive construction programmes have combined with a compulsory national superannuation scheme, out of which Singaporeans are able to pay their mortgages, to produce one of the highest

Table 2.3 Social indicators, 1980 and 1990

	1980 %	*1990* %
Literacy rate	83.5	90.0
Adults with secondary or higher qualification	20.5	39.1
Home ownership	58.8	87.5
Owners of HDB flats with 4 or more rooms	13.3	40.4
Working women	44.3	50.3
Persons aged 60 years and over	7.5	9.1

Sources: Department of Statistics, Singapore, *Census of Population 1990: Advance Data Release*; Department of Statistics, Singapore, *Singapore Census of Population 1990: Literacy, Languages Spoken and Education.*

rates of home ownership anywhere in the world. Singapore's current home ownership rate of around 90 per cent substantially exceeds the average for developed countries of about 50 to 60 per cent.[7] The trend is now towards more spacious dwellings as incomes rise. Indeed, with the wealthier segment of the population in mind, the HDB is giving greater emphasis to medium- and low-density housing, including condominiums and townhouses. For the first time, some design work is also being contracted to the private sector to increase the diversity and distinctiveness of different public housing projects.

Rising incomes have been reflected in changing levels and patterns of consumption more generally. Table 2.4 identifies the major consumption trends since the late 1970s. Even taking into account price inflation and the rise in total population from 2.3 million to 2.7 million between 1977 and 1990, there have been considerable absolute increases in consumption expenditure on goods like housing, food, beverages, clothing and footwear. But equally significant is the noticeable shift in the relative expenditure on different commodities. The proportion of spending on food, for instance, has dropped markedly, while expenditure devoted to leisure and education has jumped. Almost by definition, spending on this latter category is disproportionately accounted for by higher-income Singaporeans. Expenditure on education not only includes secondary and tertiary fees but outlays on private tuition. According to one survey, approximately one-third of all students from kindergarten to university make use of private tutors. This alone involves a total monthly expenditure of S$21 million.[8]

This changing consumption pattern also has an international dimension to it, including greater overseas travel by holidaying Singaporeans. In 1991, 1.6 million trips outside the country were made by Singaporeans, and that figure excludes travel to and from Malaysia.[9] There has also been a considerable expansion in Singaporeans undertaking studies overseas, as demand for places in domestic tertiary institutions outstrips supply. In 1987, for example, over 9,000 students were enrolled in educational institutions in the United States, United Kingdom, Canada, Australia and New Zealand.[10] By 1990 there were nearly 15,300 Singaporeans studying overseas, of which 11,520 were university students.[11] Given the steep fees involved, the extent of Singaporeans studying overseas reflects both a significant capacity to pay for, and importance attached to, education.[12] At one level this mirrors the growing size of the middle class and the spread of attendant values. But this pattern is compounded by the exceptional importance of credentials in 'meritocratic' Singapore. There is probably no other place in the world where formal qualifications represent as much economic or social capital.

Table 2.4 Consumption expenditure for selected years, 1977–1990 (S$ million and percentage of total spending)

	1977	*1980*	*1985*	*1989*	*1990*
Food	2,348	3,107	3,793	4,915	5,369
	(25.3)	(23.9)	(17.7)	(19.1)	
Non-alcoholic beverages	215	343	465	570	622
	(2.3)	(2.6)	(2.7)	(2.2)	
Clothing and footwear	877	1,275	1,569	2,206	2,410
	(10.0)	(9.8)	(9.0)	(8.6)	
Housing	1,067	1,390	2,184	2,784	3,041
	(11.5)	(10.7)	(12.4)	(10.8)	
Household goods and services	926	1,322	2,015	2,694	2,943
	(10.0)	(14.3)	(11.5)	(10.5)	
Health goods and medical services	298	411	702	1,219	1,331
	(3.2)	(3.2)	(4.0)	(4.7)	
Transport and communications	1,325	2,231	2,678	4,316	4,715
	(14.3)	(17.2)	(15.3)	(16.7)	
Leisure & Education	1,144	1,802	2,453	4,344	4,795
	(12.3)	(13.9)	(14.0)	(18.6)	

Source: *International Marketing Data and Statistics 1992* (16th edn).

The high level of students going overseas for education is part of a larger pattern. An ever-growing number of Singaporeans are also spending part of their working lives outside Singapore as the economy increases in sophistication and various links with the international community expand. In 1990 there were 14,600 expatriate Singaporean workers in various countries.[13] Indeed, so internationally mobile has the Singaporean population become that in 1991 the government established the Singapore International Foundation (SIF) to facilitate contact with and between Singaporeans abroad. Although this organisation was ostensibly created to facilitate Singapore's economic 'globalisation', it is also an expression of the government's concern about, though not necessarily an intended remedy to, its weakening

social and cultural control as more Singaporeans spend time overseas and are exposed to different social and political systems and ideological perspectives that challenge the PAP's world-view. In 1994, the SIF initiated a satellite television service – Singapore International Television (SITV) – broadcasting news, current affairs and entertainment shows sourced from the Singapore Broadcasting Commission (SBC).[14] Significantly, at home, individual Singaporeans are banned from owning satellite dishes.[15] In a separate initiative, through the Ministry of Education, Singapore's first overseas primary school was established in Hong Kong in 1991.[16] The government also announced in early 1994 that it will be launching Radio Singapore International (RSI), in conjunction with the Singapore Broadcasting Commission, to reach Malaysia, Indonesia, Brunei, Thailand, Vietnam and Cambodia.[17]

All this suggests strongly that Singapore's rapid economic growth has ushered in important social developments. One particularly important and interesting dimension is the emergence of sizeable new wealthy segments of society that not only assert themselves economically, but who also have broader social, cultural and political implications. The emergence of these social forces within the ranks of the bourgeoisie and the middle class, and their identification, is of more than passing significance for the current direction of society and politics in Singapore.

THE BOURGEOISIE

Broadly, the development of the bourgeoisie in Singapore has undergone three phases, to be discussed presently. Each phase marks a turning point in state–capital relations, and changes in the patterns of capital accumulation by the domestic bourgeoisie. However, despite this dynamism, the economic and political positions of locally based private capital have not been dramatically transformed. Rather, it is the historical emergence of the state sector as a dominant economic player that is most distinctive about recent developments.

The first phase in the development of Singapore's bourgeoisie began with colonialism and carried through, beyond self-government, until 1965. It witnessed the progression by the domestic bourgeoisie from trade and commerce, and the development of finance capital,[18] to limited forms of import substitution industrialisation (ISI),[19] and involved integration of capital groups between Singapore and Malaya/Malaysia. The tendency for the first half of the twentieth century was to consolidate and extend complementarity with European investments.[20] However, the demise of colonialism and the advent of self-government in 1959 brought with it

better opportunities for diversification by established local groups.[21] The prospect in the 1960s of a single pan-Malaysia market for industrial goods was important in this, also raising the likelihood of deeper integration of capital groups spread across Singapore and Malaysia. By the mid 1960s, then, local capital was still overwhelmingly based in trade and finance, but was becoming more diverse within these sectors, and shaped to extend more seriously into manufacturing.

The second phase in the development of the local bourgeoisie began with the collapse of political merger with Malaysia, and the subsequent shift in economic strategy towards EOI. Both developments represented obstacles to the emergence of a domestic industrial bourgeoisie; first by weakening the integration of capital merged across the new national boundaries, and second by the active courting of foreign-based international capital. Those domestic-based companies involved in EOI have tended to be overly concentrated in the lower value-added industries or have provided support services for the major players in the production process. This consolidation of local capital in the services sector was aided by government policy which protected the domestic bourgeoisie in banking and finance and provided a favourable climate for diversification into real estate, hotels and property development.[22] The growth of regional economies since the 1970s also boosted Singapore's entrepôt role, especially in financial and business services.

An equally important post-1965 development was the emergence of the state as a crucial economic actor, not just through statutory boards but through state-owned companies directly investing in manufacturing and commercial enterprises. The initial rationale for the latter was related to the collapsed merger with Malaysia and the termination of Britain's use of Singapore as a military base in the late 1960s.[23] But over time the logic of capital accumulation asserted itself, with the pursuit of profit taking government companies in various directions.[24] Together with the extensive direct expenditure of the government, this has given the state enormous influence over the domestic economy. An important aspect of Singapore's economic development over the last three decades, then, is the emergence of a virtual 'class' of public entrepreneurs. These entrepreneurs not only wield considerable economic power, but enjoy close connections with the ruling party, since the civil service has become the principal recruiting ground for the PAP.[25]

Since the mid 1980s, Singapore has entered a third phase in the development of locally based capital. Against the background of an official push for higher value-added production and greater structural diversification of the economy, there have been new trends in the patterns of international and

domestic capital investment in Singapore. In particular, Singapore's role in servicing regional economies has been accentuated by the shift among multinational corporations (MNCs) towards strategies of 'regional emphasis'.[26] Through this, a more comprehensive range of higher value-added production and services is being located within the Asia-Pacific region. In particular, foreign-based international capital is increasingly investing in the services,[27] especially in the use of Singapore for MNC operational headquarters drawing on accounting, law, training and management consultancy services. More generally, there has been a rapid expansion in Singapore in such service industries as information technology and communications, transport and distribution, and leisure and medical services in response to growing regional demand. There are thus more avenues for higher value-added investment for the services-based domestic bourgeoisie, but amidst growing competition from foreign-based international capital.

This new phase is also characterised by a shift by capital based in Singapore towards more internationalised accumulation strategies, with a definite regional focus. Overseas investments by Singapore companies, predominantly headed for the Asian region, more than doubled between 1981 and 1990, and have accelerated particularly since the late 1980s.[28] A feature of recent overseas investments is the concerted attempt by the political and economic arms of the state to initiate major projects.[29] Huge investments by government-owned companies have been involved in establishing industrial infrastructure in nearby Batam and Bintan islands as part of the Growth Triangle concept. The Singapore private sector, by contrast, has been heavily involved in tourist and property developments associated with the Growth Triangle.[30] A substantial investment agreement to develop the township of Suzhou in China has also been signed recently which, while dominated by government companies, is intended to open up opportunities for the Singapore private sector.[31]

Despite recent offshore forays by the established, larger capital groups of Singapore's private sector, for the vast majority of the more than 80,000 of Singapore's small local enterprises in manufacturing, commerce and services, overseas investment remains unviable or beyond their vision.[32] Since the mid 1980s, these small and medium enterprises (SMEs) have attempted to make more effective representations to government and in 1986 the Association of Small and Medium Enterprises was established.[33] This activism reflects consciousness of widening disparities between different fractions of capital in the third phase. Subsequently, in 1989, the government committed itself to an SME Master Plan intended to foster local enterprise and the number of schemes to assist the development of local entrepreneurs has since been extended.[34] The declining electoral

support for the government, and the effects of the mid-1980s recession, have aided the cause of these small entrepreneurs – at least temporarily.

Although the SME case is the most conspicuous, the post-1986 period has involved a general increase in the level of institutionalised interaction between the state and the private sector.[35] An increasingly sophisticated and diversified economic base may require further and deeper forms of institutionalisation in state–private capital relations in Singapore. However, private sector participation in the policy process is still largely at the government's behest. Moreover, for significant sections of the locally based bourgeoisie, the path to successful internationalisation rests on co-operation with, rather than challenges to, the state in its expansive economic role.

THE MIDDLE CLASS: EXTENT AND NATURE

The meaning and analytical use of the concept of the middle class, like class itself, is the subject of considerable debate. In the space available here it is not possible to survey the voluminous literature on this, but it is necessary to at least underline some of the fundamental points of departure. For example, descriptive and categorical notions of wealth, income, education and status levels are employed in stratification theory as the basis of social (class) distinction, whereas Marxist-inspired approaches view class as a social relationship linked to the pattern of ownership and control of production.[36] In the latter, the 'middle class' is a somewhat ambiguous term since in any direct sense it lies outside the fundamental relationships involved in surplus extraction. It is a residual class. Many contemporary writers from the Marxist tradition have therefore drawn on Weber and incorporated some notion of domination between 'classes' in the technical division of labour to clarify the specificity of the middle class: the middle class dominates the working class yet is itself dominated by the owners of capital.[37] Just whom we are talking about as the 'middle class' could vary, then, according to the framework adopted.

Within both popular and academic literature, and from different theoretical perspectives, there is a widespread view that Singapore has a substantive middle class. Adopting a stratification notion of class, Reader and Wong have argued on the basis of survey data involving 503 respondents that 3 out of every 4 adult Singaporeans 'could be labelled middle class by their own commonly accepted criteria of income, housing, education and lifestyle'.[38] The most common conception of 'middle class' in this survey was a household with an income of at least S$2,000 per month, owning a three- or four-bedroom flat and having somebody in the family

with a tertiary education. The possession of a washing machine and the taking of an overseas holiday were also identified as characteristically 'middle class'. A similar conclusion had earlier been drawn from the same theoretical perspective by Chen.[39] He argued that 56 per cent of respondents in an Economic Commission on Asia and the Far East survey were 'middle class'. This figure was arrived at by combining his 'upper-middle', 'middle' and 'lower-middle' categories of socioeconomic status which he had developed on the basis of income, educational level, occupational status and housing type.

Interestingly, both the immediate past prime minister, Lee Kuan Yew, and the current prime minister, Goh Chok Tong, have described Singapore as a 'middle-class society'. Lee went so far in 1987 as to claim that 'Our society has become 80 per cent middle class'.[40]

But not all stratification theorists are convinced that the middle class is so pervasive in contemporary Singapore. Recently Quah *et al.* have argued that 'there is no evidence of a concentration of people in one homogenous "middle" interval'.[41] In particular, using 1980 census data, they take issue with Chen over the proportion of blue-collar or manual workers (production, agricultural and service workers, and labourers), claiming that more than half the workforce (53 per cent) was in this category.[42] More generally they warned against overemphasis on superficial indicators of class such as consumption patterns.

Since the work of Quah *et al.* went to press, preliminary data from the 1990 census have been released which may clarify the issue. As revealed in Table 2.5, the combined share of the total workforce accounted for by administrators, executives and managers, as well as professionals and technicians (hereafter collectively referred to as 'professionals'), rose from 17.0 to 24.0 per cent between 1980 and 1990. This 1990 share roughly approximates the 21.7 per cent that Burris arrived at in trying to isolate the middle class using 1989 International Labour Office data.[43] Burris employs a Marxist or conflict theorist's notion of the middle class which is necessarily less inclusive than the one employed by stratificationists; locating many white-collar workers as part of the proletariat. By any measure, then, the middle class in Singapore is at least approaching one-quarter of the workforce and rapidly expanding.

Data on the sectoral location of professional workers reveal that, while they have proportionately increased within each industry category over the last decade, the most rapid expansion has been in the finance and business service industry. In 1990, professionals accounted for as much as 43 per cent of all workers in this industry. Professional workers in the finance and business service industry were also the most highly paid of all professionals

Table 2.5 Occupational distribution in 1980 and 1990 (%)

	1980	*1990*
Professional and technical	11.7	15.7
Administrative, executive and managerial	6.3	8.2
Clerical, sales and services	28.4	26.5
Production and others	53.6	49.6

Source: Department of Statistics, Singapore, *Census of Population 1990: Advance Data Release.*

in 1990.[44] Clearly, then, a significant component of expansion of the middle class is tied up with the growth and increasing technological sophistication of the services sector in the last decade.

Mak makes the related observation, from a broader historical perspective, that Singapore's incorporation into the international division of labour through its EOI strategy has resulted in a changing balance in the composition of the middle class. It has expanded the pool of 'non-traditional' professionals such as managers, computer personnel and advertising workers alongside the 'traditional' administrative elite in the civil service and a handful of British-trained professionals.[45]

Despite these changes, as in most industrialised societies, the state in Singapore remains a major employer of the middle class. However, what is unusual about the Singapore case is the extent to which the state's activities are skewed towards profit-motivated activities, or the support and attraction of private capital investment through such bodies as the Jurong Town Corporation and the Economic Development Board.[46] This is reflected in the fact that, of the total 266,200 public sector employees in 1990, state-owned enterprises and statutory boards accounted for more than half.[47] Similarly, although government expenditure represents about one-fifth of Singapore's total GDP, a small proportion of this is devoted to areas like social security and social welfare. In 1988, for example, spending on social security and social welfare amounted to 2.01 per cent of total budget expenditure, compared with an international average of about 30 per cent.[48] The significance of this is that it generates exceptional demand for professionals with technical skills pertinent to the functioning, administration and accounting of the economy, and comparatively little for professional skills less pertinent to the market economy.

Hence, there is little evidence in Singapore of the so-called 'new class' (of professionals) identified and despised by conservative theorist Irving

Kristol as an anti-capitalist element within the employ of the state in advanced industrial societies.[49] On the contrary, the bulk of professionals within the public sector in Singapore are playing no less important roles in promoting and facilitating capitalist development than their private sector counterparts. This, together with the way that PAP ideology of meritocracy elevates the technical specialisations of the middle class in the development process to a status that has no parallel in other countries,[50] generates a set of mutual interests and values between the government and a substantial body of the middle class. The extent to which this circumscribes the broader political orientations and behaviour of the middle class is the next important question.

PERCEPTIONS OF A MIDDLE-CLASS POLITICAL THREAT

Since the early 1980s the ruling PAP has suffered a sustained electoral decline. It started with a shock by-election loss in 1981 which broke the ruling party's absolute parliamentary monopoly and culminated in the loss in the 1991 general election of 4 of the total 81 parliamentary seats. Although the PAP still clearly enjoys overwhelming political ascendancy, it has been extremely sensitive to the erosion in its support. Throughout most of this period, and despite the observations above, the PAP seemed convinced that it was the rapidly expanding middle class that contributed most to the party's declining fortunes.

The basis of this PAP perception initially lay in the increased public challenge to government policies and views by the English-educated. This first came to notice through the letter columns of the *Straits Times* when contributors took issue with the government's treatment of the lone opposition MP, the Workers' Party's Joshua Jeyaretnam, and its denunciation of political opposition *per se*. Subsequently, in the lead-up to the 1984 election, Lee Kuan Yew's eugenics thesis and associated measures to foster the intermarriage of university graduates was openly contested, not least by graduates themselves.[51] In this context, the government introduced Non-Constituency Members of Parliament (NCMPs) before the 1984 election,[52] with the obvious aim of diverting any disenchantment from opposition parties. However, a dramatic 13 per cent downturn in the PAP's vote at the 1984 election and the loss of a further seat to the opposition prompted further party soul-searching. This led to the conclusion that there was a perception of the PAP government as paternalistic and authoritarian, particularly prevalent among the middle class, which must be rectified. Accordingly, the PAP embarked on a range of reforms, increasing consultation with the middle class in the policy process. Conveniently, this

new strategy coincided with an orchestrated leadership transition within government which gave the appearance that the PAP itself was changing with the times.

The reform measures included: the establishment in 1985 of a Feedback Unit, an extra-parliamentary institution which was intended both to take suggestions from the public and to explain government policies better at the grassroots level; the adoption of Government Parliamentary Committees (GPCs) in 1987; the introduction of town councils; and the establishment of the Institute of Policy Studies (IPS), a 'think- tank' that attempts, among other things, to involve professionals in public policy discussion.

The theme to most of these reforms was the government's desire to channel dissent and disaffection with its policies through institutions that it either controlled, or through which public policy debate could be largely depoliticised.[53] The message clearly directed at the educated professionals was that the government was receptive to constructive suggestions from those with relevant expertise on any policy issue. It was not, however, an invitation to form pressure groups or the beginnings of a more pluralist political culture. On the contrary, the PAP's aim appeared to be to undercut the growing support for opposition political parties by demonstrating how unnecessary they were. Significantly, this selective consultative approach was consistent with PAP ideology of meritocracy, according special status to the educated elite. The apparent 'opening up' of the political process still rested then on elitist assumptions.

Although the 1988 general election continued the PAP's electoral slide, this time it was a far less dramatic 1.7 per cent and resulted in just one opposition MP. The surface evidence might have vindicated the PAP strategy, except that figures released in 1989 on emigration revealed an alarming level of emigration in recent times. In 1988 alone, 4,707 families emigrated.[54] A subsequent study revealed that contemplation of emigration was especially high among the young, English-educated, high-income Singaporeans whom the change in PAP reforms had targeted.[55] The perception of Singapore as an 'over-regulated' society, particularly as it applied to official controls on people's reading and viewing habits,[56] appeared to be a significant factor here.

The government responded to the 1988 election with a new category of MPs – the nominated MPs (NMPs). They were to be appointed by the President on the advice of a Special Select Committee. The rationale was that they would provide a non-partisan alternative view in parliament that would satisfy the evident growing sentiment for an opposition. The feedback chairman reported enthusiastic support for the idea from professionals and academics.[57] However, a snap election in mid 1991 soon put the political question of the middle class in a new light.

1991 ELECTION: WIDER BASIS TO PAP ELECTORAL DECLINE

The official explanation for this early election, some two years ahead of schedule, was Prime Minister Goh's desire to establish a clear mandate for both the long-term programme outlined in *The Next Lap* and his more consultative style of leadership. However, what the 1991 election results showed was that much of the strategy to arrest the PAP's electoral decline had been misdirected. In particular, the direct political significance of the middle class had been overstated. The election revealed widespread working-class discontent with the government; a discontent that was, as will be discussed below, only exacerbated in recent times by the PAP's special sensitivity to perceived middle-class concerns.

The election was fought selectively by the opposition parties. Of the total of 81 seats, 41 went uncontested. This assured the PAP of government, leaving voters the option of electing a genuine opposition as opposed to the manufactured one presented to them by the PAP through the NCMP and NMP schemes. The government's share of the vote dropped from the 1988 level of 63.2 per cent to 61.0 per cent, with the opposition parties picking up 3 new seats to add to Potong Pasir and making significant gains in various other electorates. To generalise, the support for the opposition parties came from satellite towns on the outer rim of the city.[58] They contain a high per centage of constituents with average and below-average incomes involving a range of working-class occupations, including clerical and non-supervisory white-collar categories.[59] Recent cost-of-living rises in esssential services would have had a particular impact on these people. In the first half of 1991, for example, the consumer price index rose by 3.8 per cent but costs in public transport rose by 19 per cent, health charges by 9.9 per cent and education charges by 6.8 per cent.[60]

The election result was a rude awakening for the PAP. Its leaders had largely taken the support of the predominantly Chinese-educated working class for granted, presuming that it was the backing of the relatively affluent English-educated that might be more tenuous over time. Yet in a climate of rising charges in public and private transport, and in health and education, the government's various elitist policies that especially benefited the middle class were a source of particular irritation to the working class. Policies such as the establishment of expensive independent schools, the gifted education programme which provided privileged treatment for early achievers, the partial privatisation of public health services to enable the more affluent to exercise greater consumer choice, and incentives to encourage child-rearing through graduate marriages were all unpopular. The 1991 election results seemed to reflect a growing class consciousness

and perception that Singapore's dramatic economic development had led to increasingly inequitable outcomes. But Prime Minister Goh emphasised that any 'levelling' of society through welfare would be counter-productive.[61] Attempts to debate the merits of a more redistributive state are condemned as 'the politics of envy'.[62]

The question of whether or not Singapore's more advanced economic phase is associated with an acceleration of inequalities in wealth and income is increasingly in public focus. In 1989, the Committee on Destitute Families reported that 23,000 families in Singapore were living in poverty.[63] More recently, local academic Tan Kong Yam drew attention to the plight of middle-income earners. He suggested that a hitherto un-recognised disadvantaged group amounting to about 20 per cent of the population earns too much to qualify for government subsidies, yet too little to effectively compete for private property, cars and other limited resources.[64] In attempting to refute this, Deputy Prime Minister Lee Hsien Loong cited data covering the period 1972–1988 which showed that whereas the bottom 20 per cent of the workforce improved incomes by 3.7 per cent, this contrasted with 4.1 per cent for the middle 60 per cent and 4.2 per cent for the top 20 per cent.[65] Inadvertently he had highlighted the relative deterioration of the lowest income groups.[66]

In the aftermath of the 1991 election, the government established a Cost Review Committee to address public concerns about rising costs of living. The committee has tried to allay fears about rising inequalities, emphasising that income growth has outstripped price increases since 1980. More particularly, drawing on census data, the committee maintained that the bottom 20 per cent and middle 60 per cent of households expereienced higher rates of income growth than the top 20 per cent of households. It conceded, however, that there had been steep price increases in the cost of health care, housing, education and transport. Some of this was seen as the inevitable consequence of Singapore's natural resource constraints which pushed up the cost of land and placed a premium on private vehicles. The committee thus called for young Singaporeans to adjust their expectations and their definition of the 'good life'.[67] Further reassurance about in-equalities came by way of publicity to data released in late 1993 by the Department of Statistics which suggested that there had been a 3 per cent increase in the 'quality of life' between 1986 and 1992.[68]

While the exact picture on inequalities is clouded by methodological arguments, what matters in political terms are people's perceptions and a greater awareness of wealth and income differentials is certainly surfacing in Singapore. Some luxury items remain frustratingly elusive for many Singaporeans. The increasingly exhorbitant cost of a private car, which

might be supportable on social and environmental grounds, is nevertheless an especially significant source of consumer anxiety.[69] Whether Singaporeans will adjust their consumer horizons, as prescribed by the Cost Review Committee, to alleviate such anxiety is of course problematic.

Just as in other countries that have undergone a major economic transformation, inequalities in wealth and income in contemporary Singapore are now more visible and will continue to be so. The conspicuous consumption of the middle class thus unavoidably takes on a political significance that is beginning to manifest itself in greater discontent than in an earlier stage of development. Then, so many Singaporeans were simply grateful to have stable employment and steadily rising incomes. Now the working class, which is meant here to include those in non-supervisory white-collar positions, is increasingly viewing its social and economic position with reference to what it sees as the especially privileged middle class and the PAP government's role in institutionalising these privileges.

A key political question for the PAP is just how the perception of inequalities will be managed in the absence of a more expansive welfare state. Government spending on social security in Singapore is minute by world standards. However, the proportion of government spending on education and housing is well above world averages and incorporates substantial public subsidies of private consumption. Generally, though, subsidies are not means tested. It is not the principle of subsidisation that irks the PAP, but rather the deliberate redistribution of income and wealth to the detriment of the 'high fliers'. For the PAP, this runs counter to the idea of a meritocratic society. This ideology remains central.

Nevertheless, the political success of the PAP principally rests on having substantially and progressively raised the living standards of the masses. So, while the government would like to see an adjustment in consumer expectations, it also genuinely seeks to address the concerns of alienated lower-income voters. Hence, since the 1991 election, the PAP has embarked on various programmes targeting these people. Matching funds to ethnic-based community organisations engaged in welfare projects alone now runs into several hundred millions of dollars. Voluntary welfare organisations are also now eligible for assorted subsidies in construction, operating and land costs. In addition, a recently established Small Family Scheme provides direct assistance to certain low-income families. In yet another gesture of positive discrimination in favour of the underprivileged, the government has paid a month's public housing conservancy charges for low-income people in both 1992 and 1993. A substantial upgrading of public housing estates is also under way which will significantly improve conditions for most Singaporeans.

Currently, then, the government is effecting somewhat more targeted welfare, albeit sometimes under cover of non-state organisations. It is not averse to spending money on welfare, but careful not to raise expectations that the state might play a redistributive role that is informed by some notion of 'social justice'.[70] On the contrary, the government's aim is to attend to the needs of the masses without compromising the privileged social and economic positions of the middle class. This is a considerable political challenge.

INTEREST GROUP POLITICS AND THE MIDDLE CLASS

It would appear then that the middle class does not pose any direct political threat to the PAP, but instead is a major beneficiary of PAP rule and acts accordingly. However, the existence of a substantial middle class can also have implications for the form that politics takes. Not only do the conditions of more advanced capitalist accumulation heighten material inequalities, but they also tend to foster the pursuit of separate identities in civil society by professional and employer associations and environmental, consumer and women's groups alongside the more traditional labour organisations. In other NICs, these groups have entered into public debate and/or protest over government policy without necessarily participating in the electoral process.[71] In Singapore, though, the PAP has been more successful in limiting political engagement to direct, formal processes. Moreover, the extent of political cooption is such that there is arguably no genuine civil society in Singapore. As Bernhard points out, civil society is constituted by a sphere of legally sanctioned political space autonomous from the state itself. However, the more sizeable middle class has manifested itself in the expansion and formation of organisations that are nevertheless attempting to carve out a measure of political space outside the formal political process.[72] These include the Nature Society of Singapore (NSS), known up until 1992 as the Singapore branch of the Nature Society of Singapore (NSS), the Association of Women for Action and Research (AWARE) and the Association of Muslim Professionals (AMP).

The NSS is not a new organisation, having been established in 1954, but its membership has been boosted by increased environmental consciousness among the expanding middle class and now stands at 1,300.[73] It has constructively criticised government policy through detailed technical submissions to government departments and selective letter writing to the editorial pages of the *Straits Times*. NSS has exerted a real influence over public policy of late, beginning with its role in persuading the government in 1988 to reserve 87 hectares of degraded mangrove at Sungei Buloh for a

bird sanctuary. In 1990, the government's *Green Plan* also incorporated much of the NSS's 152-page *Master Plan for the Conservation of Nature in Singapore*.[74] Most recently, following the release of the NSS's own environmental impact assessment arguing against a proposed golf course at the Lower Peirce reservoir catchment area, the government decided to put the project on hold.[75]

AWARE was established in 1985 and has a membership of about 500.[76] Generally it employs a similar approach to NSS, although it has occasionally adopted a comparatively aggressive public stance, as it did against the government's procreation policies in the late 1980s and, more recently, in a controversy over unequal benefits to female civil servants. The sorts of issues on which the organisation is most outspoken reflect the predominantly middle-class leadership and constituency of AWARE.

The AMP is the most recent of such organisations, having been established in 1990. The existing council for the development of the Muslim community, Mendaki, was seen to be too dominated by the PAP to adequately represent Malays. Being an organisation of professionals, AMP represents a clear case of middle-class activism, but the PAP appears to have restricted its potential as an independent organisation by providing the AMP with funds on a dollar-for-dollar basis for its activities. The government's object is to steer the AMP towards apolitical community development work.

To be sure, these organisations have a very carefully defined existence, given the Societies Act which proscribes political activities by organisations not formally registered for that purpose. Nevertheless, to the extent that these organisations involve themselves in concerted and regular attempts to influence government policy on behalf of their members they very definitely engage in political activities. But the capacity to undertake restricted political activities is contingent upon an acceptance of the PAP's overriding political authority. Hence, public disclaimers of organisational activities as political are common. Following NSS's apparent success in lobbying the government over the golf course proposal, the organisation's president, Wee Yeow Chin, insisted that NSS was not a pressure group. He elaborated: 'We are level-headed and look at things rationally.'[77] This sort of comment is not only indicative of the nervousness and insecurity characterising organisations undertaking informal political activities, but also the moderate nature of the political outlooks within them. Indeed, the level of tolerance that the PAP has for the activities of these groups is suggestive of their unthreatening nature. Similarly, this may very well be the precondition for a more expansive realm of independent political space in Singapore. Independent organisations that have sought to represent the

working class, such as trade unions and, more recently, lay religious organisations that have acted as advocates for guest workers and maids, have encountered a much more hostile reaction from the state.[78]

The existence of greater social differentiation and middle-class expansion in Singapore is thus manifesting itself in attempts to develop forms of representation that more effectively accommodate the diversity of interests and values in society. As has already been indicated, the PAP's continually extended mechanisms of political cooption evidence the ruling party's strong preference to avoid forms of representation that are more independent and democratic. Yet a limited measure of increased independent political space appears to be tolerated where moderate political demands are exerted by essentially middle-class groups.

CONCLUSION

Singapore's rapid economic development has set in train important social changes, including the emergence of a substantial middle class. This middle class has significant purchasing power and expresses itself in new lifestyles and aspirations. However, the PAP government has always been dominated by leaders with professional backgrounds who have seen a crucial economic role for this class: a role that has been consolidated as the PAP's control over the economy has been extended. Moreover, the middle class has enjoyed elevated social status through the ideology of meritocracy promoted and institutionalised by the government. In fundamental terms, then, there is no reason for the now sizeable middle class to seek drastic political change.

Similarly, while there are some tensions between fractions of the domestic bourgeoisie and the state, the Singapore state's ability to heavily condition the avenues for effective capital accumulation fosters moderation in the form and content of the increased representations to the state by business. Indeed, the current development trajectory may encourage new forms of cooperation between the state and the domestic bourgeoisie rather than any attempt by capital to significantly redefine the state's economic role.

The most important political dynamic arising out of Singapore's recent class transformations relates to the increased absolute material disparities, and the greater visibility of these due to rising conspicuous consumption. This is manifesting in discontent with the government among its traditional supporters, many of whom are beginning to seriously doubt their prospects for social mobility. Whereas the last two and a half decades have witnessed remarkable economic growth and social mobility in Singapore, greater rigidity in social structures is now accompanying the city-state's economic

growth. This of course charts a challenging course for the PAP, since expectations are high. The challenge, however, is not just to compensate for inequitable market outcomes, but to do so without compromise to its much-vaunted 'meritocracy' and the associated social and political order.

NOTES

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2 Garry Rodan, *The Political Economy of Singapore's Industrialization: National State and International Capital*, Basingstoke: Macmillan, 1989.
3 Folker Fröbel, Jürgen Heinrichs and Otto Kreye, *The New International Division of Labour*, Cambridge: Cambridge University Press, 1980.
4 These figures are for the total population of Singapore. An attempt is made to separate the per capita GNP among Singapore residents which produces figures of S$2,478 for 1970 and S$18,437 for 1990. See Ministry of Trade and Industry, Republic of Singapore, *Economic Survey of Singapore 1990*.
5 The Economic Planning Committee, Ministry of Trade and Industry, Republic of Singapore, *The Strategic Economic Plan: Towards a Developed Nation*, Singapore: NNP Publishers, 1991, 40.
6 *Yearbook of Statistics Singapore 1992*, Singapore: Department of Statistics.
7 Government of Singapore, *Singapore: The Next Lap*, Singapore: Times Editions, 1991, 80; *Parliamentary Debates Singapore*, 61(7), 12 October 1993, col. 640.
8 Cherian George, 'Time to Come Out of the Shadows', *Straits Times Weekly Overseas Edition*, 11 April 1992, 14.
9 *Parliamentary Debates Singapore*, 61(7), 12 October 1993, col. 631.
10 *UNESCO Statistical Yearbook 1990* in Don Smart and Grace Ang, *Opportunities for Australian Higher Education: A Pilot Survey of Singapore*, Policy Paper Number 2, Asia Research Centre, Murdoch University, March 1992, 21.
11 Lau Kak En, Department of Statistics Singapore, *Singapore Census of Population 1990: Literacy, Languages Spoken and Education*, statistical release 3, Singapore: SNP Publishers, 1993, 10. See also Warren Fernandez, 'Over 36,000 S'poreans Studying, Working or Living Overseas', *Straits Times Weekly Overseas Edition*, 27 June 1992, 24.
12 Fees for tertiary studies range from between S$2,000 and S$24,000 in Canada to S$14,000 and S$36,000 in Britain. See 'NZ Back as Popular Spot for Studies', *Straits Times Weekly Overseas Edition*, 21 December 1991, 24.
13 Warren Fernandez, 'Over 36,000 S'poreans Studying, Working or Living Overseas', *Straits Times Weekly Overseas Edition*, 27 June 1992, 24.
14 Bertha Henson, 'PM Launches New Satellite TV Service', *Straits Times Weekly Edition*, 8 January 1994, 1.
15 Access to satellite services is restricted to financial analysts, journalists, diplomats, bankers and companies who have a professional need for satellite services.
16 *Final Report of the Committee to Promote Enterprise Overseas*, Ministry of Finance, Singapore, 1993, 24.

17 'Radio Singapore Goes Regional in Three Languages', *Singapore*, Singapore: Singapore International Foundation, March/April 1994, 20.
18 Five domestic banks set up between 1903 and 1919. The three largest were founded by the Hokkien traders and later merged to form the Overseas Chinese Banking Corporation (OCBC) which is today one of the so-called 'Big Four' local banks.
19 Diversification into industry was also discernible in the first part of this century, including small-scale investment in tin mining in Malaya, and basic consumer manufactures in Singapore. See Wong Lin Ken, 'Singapore: Its Growth as an Entrepôt Port, 1819–1941', *Journal of Southeast Asian Studies*, IX(1), 1978, 64.
20 J. J. Puthucheary, *Ownership and Control in the Malayan Economy*, Singapore: Eastern Universities Press, 1960.
21 One route by which established Chinese business groups entered manufacturing was through buying out sizeable British companies. For example, the Overseas Chinese Banking Corporation bought out the British companies Fraser & Neave Ltd and Wearne Brothers Ltd. See Pang Eng Fong and Rajah V. Komoran, 'Singapore Multinationals', *Columbia Journal of World Businesss*, Summer 1985, 37.
22 Catherine Paix, 'The Domestic Bourgeoisie: How Entrepreneurial? How International?', in Garry Rodan (ed.) *Singapore Changes Guard: Social, Political and Economic Conditions in the 1990s*, Melbourne: Longman Cheshire, 1993, 189–190.
23 See Lee Sheng-Yi, *Public Finance and Public Investment in Singapore*, Singapore: The Institute of Banking and Finance, 1978, ch. 7.
24 By 1990, through Temasek Holdings, Singapore Technology Holdings and Health Corporation Holdings, the state was sole shareholder of 50 companies with interests in a further 566 subsidiaries. The total assets of these state-owned enterprises amounted to S$10.6 billion. See 'Role of State-owned Enterprises', *Straits Times Weekly Overseas Edition*, 29 August 1992, 20. Government-linked companies (GLCs) and statutory boards pervade most sectors of the economy, but are particularly prominent in the transport, marine-based, defence and petroleum industries. An analysis of the top 500 Singapore-based companies in 1988 suggested that, although GLCs represented just 16.9 per cent of the leading 248 locally owned companies, they were responsible for as much as 60.5 per cent of all realised profits. *Singapore 500* cited in Werner Vennewald, 'New Perspectives on the Political Economy of Singapore: The Role of Technocrats in the State Enterprise System', unpublished mimeograph, Hamburg, July 1993, 21.
25 Khong Cho Oon, 'Managing Conformity: The Political Authority and Legitimacy of a Bureaucratic Elite', revised paper presented at the workshop on *Political Legitimacy in Southeast Asia*, Chiangmai, Thailand, 23–26 February 1993, 12.
26 Ng Chee Yuen and Sueo Sudo, *Development Trends in the Asia-Pacific*, Singapore: Institute of Southeast Asian Studies, 1991, 51.
27 Whereas Singapore companies were responsible for 36 per cent of services sector investment commitments in 1987, by 1991 this share had fallen to 20 per cent. See *Economic Development Board Yearbook 1991/92*, 14.
28 By the end of 1990, a total of 2,293 Singapore companies had invested S$27.8 billion abroad, of which S$7.5 billion was in direct investment. The rest was made up of portfolio investment, transactions with overseas companies, and

other foreign assets. About two-thirds of these investments were from companies with either wholly or majority local ownership. These investment figures exclude banks and finance and insurance companies. See 'Overseas Investments by Singapore Companies Soared 23 per cent to $27b in 1990', *Straits Times Weekly Overseas Edition*, 27 February 1993, 20.

29 Indeed, the government is exhorting private companies to invest abroad and is backing this call with various forms of assistance. See Zuraidah Ibrahim, 'SM: Way to Take S'pore Inc Abroad', *Straits Times Weekly Overseas Edition*, 9 January 1993, 1, and *Parliamentary Debates Singapore*, 60(9), 10 March 1993, cols 866–867.

30 See Garry Rodan, 'Restructuring Divisions of Labour: Singapore's New Regional Emphasis', in R. Higgott, R. Leaver and J. Ravenhill (eds) *Pacific Economic Relations in the 1990s: Cooperation or Conflict?*, St Leonard's: Allen & Unwin, 1993, 236–242.

31 The state-owned Keppel Group has a 70 per cent stake in a partnership with the Chinese to develop a 70 sq. km township in Suzhou, China, which will comprise industrial parks, residential estates and commercial facilities. The estimated total investment in the township is S$30 billion and, although Singapore government companies dominate the project, it is likely to also open up significant opportunities for Singapore's private sector. See Gerry de Silva, '"S'pore II" industrial township for Suzhou', *Straits Times Weekly Overseas Edition*, 14 August 1993, 24. Much of the recent offshore push by private Singapore-based companies has been skewed towards China. In 1992, Chinese authorities approved 742 Singapore projects worth US$1 billion, bringing cumulative investments to US$1.9 billion by the end of that year. For many small businesses run by Chinese-speaking Singaporeans, the opening up of the Chinese economy has made some form of internationalisation feasible. See Raj Vasil, 'Singapore 1992: Continuity and Change', *Southeast Asian Affairs 1993*, Singapore: Institute of Southeast Asian Studies, 1993, 311.

32 Less than 1 per cent of these enterprises boast more than S$12 million in fixed asset investment. See *Final Report of the Committee to Promote Enterprise Overseas*, Singapore: Ministry of Finance, 1993, 32–33.

33 This was intended as an alternative to the existing Singapore Manufacturers' Association (SMA) and the Singapore Chinese Chamber of Commerce and Industry (SCCCI).

34 There are currently sixty such schemes.

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37 Val Burris, 'The Neo-Marxist Synthesis of Marx and Weber on Class', in Norbert Wiley (ed.) *The Marx–Weber Debate*, Newbury Park, California: Sage Publications, 1987, 67–90.

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39 P. S. J. Chen, 'Social Stratification in Singapore', Sociology Working Paper Number 12, Singapore: Department of Sociology, National University of Singapore, 1973.
40 Lee in Heng Hiang Khng, 'The Middle Class in Singapore and its Role in Political Development', unpublished mimeograph, n.d., 58.
41 Stella R. Quah, Chiew Seen Kong, Ko Yiu Chung and Sharon Mengchee Lee, *Social Class in Singapore*, Singapore: Times Academic Press, 1991, 262.
42 Chiew Seen Kong, Ko Yiu Chung and Stella R. Quah, 'Occupational Prestige and Occupational Structure' in ibid., 78.
43 Val Burris, 'Late Industrialization and Class Formation in East Asia', paper presented at the *Emerging Social Forces in Asia* conference of the Asia Research Centre, Murdoch University, 5–8 September 1991.
44 Philip E.T. Lewis, *On the Move: The Changing Structure of Singapore's Labour Market*, Asia Research Centre Paper 1, Murdoch University, Perth, 1993, 26–27.
45 Lau-Fong Mak, 'The Rise of the Singapore Middle Class: An Analytical Framework', in Hsin-Huang Michael Hsiao (ed.) *Discovery of the Middle Classes in East Asia*, Taipei: Institute of Ethnology, Academia Sinica, 1993, 325–326.
46 Rodan, 1989, op. cit.
47 'Role of State-owned Enterprises', *Straits Times Weekly Overseas Edition*, 29 August 1992, 20.
48 Lim Say Boon, 'S'pore Budget Policy Unique for Emphasis on Frugality', *Straits Times Weekly Overseas Edition, 29 February 1992, 13.*
49 Irving Kristol, *Two Cheers for Capitalism*, New York: Basic Books, 1978.
50 Garry Rodan, 'Elections Without Representation: The Singapore Experience under the PAP', paper presented at the *Elections in Southeast Asia: Meaning and Practice?* conference, The Woodrow Wilson Center, Washington DC, 16–18 September 1993.
51 He drew attention to differential procreation rates of university-educated professionals and relatively uneducated women, arguing that this represented a threat to Singapore's economy and society. According to Lee, it was the national duty of female university graduates to marry other graduates and reproduce, lest Singapore's genetic stock degenerate as a whole. Various incentives were proposed to induce a greater sense of 'national duty' among graduates. See Lee Kuan Yew, 'Talent for the Future', *Straits Times*, 15 August 1983, 10–11.
52 In July 1984 an Act of Parliament provided for the appointment of up to three MPs among the unsuccessful opposition election candidates with the highest share of votes.
53 Garry Rodan, 'Singapore's Leadership Transition: Erosion or Refinement of Authoritarian Rule?', *Bulletin of Concerned Asian Scholars*, 24(1), 1992, 4–18.
54 Simon Elegant, 'Singapore's Emigration Rate Stirs Debate', *Asian Wall Street Journal*, 9 October 1989, 1.
55 Chiew Seen Kong, 'National Identity, Ethnicity and National Issues', in Jon S.T. Quah (ed.) *In Search of Singapore's National Values*, Singapore: Times Academic Press, 1990, 66–79.
56 Chiew, ibid.; Cheng Tun Jen, 'Is the Dog Barking? The Middle Class and

Democratic Movements in the East Asian NICs', *International Studies Notes*, 15(1), 1990, 10–16, 40.

57 *Parliamentary Debates Singapore*, 54(8), 29 November 1989, col. 716.

58 For further details see Garry Rodan, 'The Growth of Singapore's Middle Class and its Political Significance', in Garry Rodan (ed.) *Singapore Changes Guard: Social, Political and Ideological Directions in the 1990s*, Melbourne: Longman Cheshire, 1993, 60–61.

59 The definition of 'working class' hereafter applied is one that is in keeping with the neo-Marxian literature which makes qualitative distinctions between white-collar workers in a supervisory or professional capacity and those whose subordination to others in the technical division of labour is fundamentally the same as most manual workers.

60 N. Balakrishnan, 'Mandarin Virtues', *Far Eastern Economic Review*, 10 October 1991, 27.

61 See 'Let's Not Hold Back the Talented', *Straits Times Weekly Overseas Edition*, 17 August 1991, 4.

62 See 'PM Raps SDP for Using Politics of Envy to Agitate Singaporeans', *Straits Times Weekly Overseas Edition*, 13 March 1993, 5.

63 Sandra Davie, 'Panel's Call to Govt to Ease Plight of 23,000 Poor Families', *Straits Times Weekly Overseas Edition*, 25 March 1989, 2.

64 Sumiko Tan, 'No Basis to Say that There is a Middle Class Squeeze: BG Lee', *Straits Times*, 29 July 1991, 1.

65 Zuraidah Ibrahim, 'BG Lee Proves There Are All-round Benefits from S'pore Growth: All Income and Racial Groups Have Done Well', *Straits Times*, 30 July 1991, 1, 4.

66 In a subsequent attempt to redeem his argument, Lee produced data that showed that the annual income growth in the decade 1980–1990 witnessed greater gains by blue-collar workers at 5.6 per cent, compared with 4.3 per cent for clerical workers and 3.1 per cent for professionals. As for absolute inequalities, Lee drew on the *World Development Report 1991* to make the point that by international standards Singapore enjoyed low levels of income inequality. 'Hard-headed Approach Best Way to Help: See S'pore Progress', *Straits Times Weekly Overseas Edition*, 18 January 1992, 2–4. The problem for the latter part of the argument was that the data were derived from surveys conducted mainly in the late 1960s and early 1970s. However, a recent study by Rao argues that between the early 1970s and late 1980s the degree of inequality in Singapore's household income distribution has remained roughly the same. Indeed, he points out that 'The top 10 per cent of the families have an income share of a little over 30 per cent which is not too far from the range of 24–31 per cent in OECD countries in the late 1960s and early 1970s.' See V.V. Bhanoji Rao, 'Income Distribution in Singapore: Trends and Issues', *The Singapore Economic Review*, XXXV(1), 1990, 147. Yet the same study notes that when we look at income distribution on an individual basis, using data on CPF contributions and taxpayers, larger but not dramatic increases in income inequality are revealed. See ibid., 152.

67 *Report of the Cost Review Committee*, Singapore: Ministry of Trade and Industry, 1993.

68 This was based on an index of social change which incorporated nine categories: real income; family conditions; health; education; employment;

housing; personal safety; social environment; leisure and culture. Only in family conditions and personal safety was there a deterioration. See Tan Kim Song, 'Life is Better, but Do Indices Really Tell How it's Improved?' *Straits Times Weekly Overseas Edition*, 25 December 1993, 14.

69 Private vehicles are subject to quotas in Singapore and attract heavy premiums. Recently the government introduced Certificates of Entitlement (COEs) for private vehicles which are subject to competitive bids. Valid for ten years, COEs ranged in May 1992 from S$17,200 for a vehicle of 1,000 cc capacity or less to S$32,000 for luxury cars. This cost is of course on top of the price of the car. See 'COE Prices Pass $30,000 Mark for the First Time', *Straits Times Weekly Overseas Edition,* 23 May 1992, 2.

70 Rodan, 1993, op. cit.

71 Lo Shiu-hing, 'Political Participation in Hong Kong, South Korea and Taiwan', *Journal of Contemporary Asia*, 20(2), 1990, 239–253.

72 Kevin Hewison and Garry Rodan, 'The Decline of the Left in Southeast Asia', in Leo Panitch and Ralph Miliband (eds) *The Socialist Register 1993*, London: Merlin Press, 1994, 235–262. See also M. Bernhard, 'Civil Society and Democratic Transition in East Central Europe', *Political Science Quarterly*, 106(2), 1993.

73 Registry of Societies, Singapore.

74 Clive Briffet (ed.) *Master Plan for the Conservation of Nature in Singapore*, Singapore: Malayan Nature Society, 1990.

75 Dominic Nathan, 'Nature Society Hopes to Run Some Nature Areas', *Straits Times*, 2 October 1993, 23.

76 Registry of Societies, Singapore.

77 As quoted in 'NSS "Not a Pressure Group"', *Straits Times*, 2 October 1993, 23.

78 Garry Rodan, 'Preserving the One-Party State in Contemporary Singapore', in Kevin Hewison, Richard Robison and Garry Rodan (eds) *Southeast Asia in the 1990s: Authoritarianism, Democracy and Capitalism*, St Leonard's: Allen & Unwin, 1993, 91–93.

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Malaysia

GENERAL

Land area	330,000 sq. km
Population (mid 1992)	18.6 million people
Nominal GDP (1992)	US$57,568 million
share of agriculture	16.3%
share of industry	37.4%
share of manufacturing	28.8%
share of services	46.3%
Average annual GDP growth rate (1980–1992)	5.9%
GDP per capita (1992)	US$3,095
GNP per capita (1991)	US$2,790
Monetisation level (broad money [M2] as % of GDP; 1992)	109%
Average annual growth rate of M2 (1980–1992)	12.6%
Central government budget surplus or deficit as % of GNP (1991)	– + 0.3%
Current account surplus or deficit (after official transfers; 1992)	– US$1,649 million
Merchandise trade surplus or deficit (1992)	+ US$2,344 million
Gross domestic savings as % of GDP	35%
Gross domestic investment as % of GDP	34%
Tax revenue as % of GNP (1991)	30.1%
Total external debt (1992)	US$19,837 million
Percentage of population of working age (15–64; 1992)	59.1%
Number of students in higher and university education (1992)	0.1 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US$7,400
Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1990)*	6.5

Percentage of urban population (1992)	45%
Total employment (1990)	6.7 million
of which professional, technical workers	7.8%
of which administrative, managerial workers	2.2%
of which clerical, sales, services workers	32.5%
of which agriculture, production, transport workers and equipment operators	57.5%
Gross tertiary enrolment ratio (1990)**	6.8
Life expectancy at birth (1992)	70.4 years
Population with access to safe water (1988–1991)	–
Total consumer expenditure (1992)†	US$26,205 million
share of food, drink and tobacco	39.1%
share of clothing and footwear	6.9%
share of housing and fuels	11.7%
share of household goods and services	11.3%
share of health	2.1%
share of leisure and education	14.8%
Per capita energy use (oil equivalent; 1992)	1,070 kg
People per telephone (1989)	8.5
People per TV (1990)	6.7
People per doctor (1990)	2,652.6
Per capita consumption of beef (1991)	2.2 kg
Per capita consumption of poultry (1991)	11.2 kg
Per capita consumption of fish (1991)	9.3 kg
Per capita consumption of soft drinks (1992)	12.8 litres
Book titles published (1992)	4,578

Notes:
* Data refer to income shares by fractiles of persons, ranked by per capita income.
** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
† The percentage figures for consumer expenditure are on selected consumer items only.

Sources:
Bank Negara Malaysia, *Annual Report*, 1992
Euromonitor, *International Marketing Data and Statistics*, 1994
ILO, *Yearbook of Labour Statistics*, 1993
The World Bank, *World Development Report*, 1994
UNDP, *Human Development Report*, 1994

3 Growth, economic transformation, culture and the middle classes in Malaysia

Joel S. Kahn

Beginning in the late 1960s, Malaysia was set on a relatively new developmental trajectory with major social, economic and political implications for an until then largely colonial social formation. Among other things this has meant a significant increase in the relative size of what sociologists are wont to call the middle class. In spite of the well-documented growth of this group, and a good deal of interest on the part of journalists, politicians and business marketers both in Malaysia and overseas, as yet there has been remarkably little interest among social scientists in the phenomenon. With a handful of exceptions, very few Malaysianists – in Malaysia or overseas – have done more than mention the middle class in passing; and there have been even fewer attempts to clarify the use of the concept in Malaysian conditions, or to assess its impact on the taken-for-granted contours of Malaysian society.

In the scholarly literature on the Malays, for example, we continue to witness an outpouring of studies of peasants, factory women, ethnicity and Islam – not unimportant in themselves, but in their distribution far from fully representative of current trends in the Malay community. As for studies of Malaysia's other main ethnic groups, lamentably fewer in number, the growth of the middle class is similarly largely ignored. But consider the following, written as long ago as 1985:

> In Malaysia, where the non-Malay component of the middle class had continued to grow as a result of economic development since independence, in the 1970s Malay representation in the middle class rose sharply following the introduction of the New Economic Policy.
>
> (Crouch 1985: 31)

Depending on the interpretation of census data, the size of that 'substantial and prosperous' middle class was as high as 24 per cent of the workforce in 1980 (ibid.: 31–32). The class grew in significance in the

1980s, so that, using the same calculation, Saravanamuttu estimates that by 1986, 37.2 per cent of workers were in middle-class occupations (1989). And doubtless the 1990 census will show continued growth in both the absolute and the relative size of the Malaysian middle class.

Commenting on reports of the emergence of an Indonesian middle class, Daniel Lev writes:

> Now, suddenly, when they appear to be making some difference, or anyway are substantial enough to compel notice, we are at a loss to figure out who exactly they are, why they are important, and what difference they actually make.
>
> (Lev 1990: 25)

This chapter seeks to address these questions in the Malaysian context. I want to suggest, among other things, that the concept of *a* middle class is particularly problematic, and that to begin to understand 'who they are, why they are important, and what difference they actually make' in Malaysia, at least, one needs both to unpack the notion of a unified middle class, and to examine the cultural, as well as political and economic, processes out of which the new Malaysian middle classes have been constituted.

Of course major indicators of the emergence of new wealth in Malaysia are found in the figures on economic growth. The Malaysian economy has grown rapidly over a relatively long period of time – average annual growth rate over the last twenty-five years stands at 6.5 per cent. That slowed in the first half of the 1980s to 5.4 per cent per year between 1980 and 1985. But since then it has again risen to reach 9.7 per cent in 1990, 8.7 per cent in 1991 and 8.5 per cent in 1992. Focusing on manufacturing, the figures are 6.1 per cent per year for the period 1980–1985, 14.1 per cent per year between 1985 and 1990; 15.7 per cent in 1990, 13.9 per cent in 1991 and 13.0 per cent in 1992.[1] Part of the reason for Malaysia's ability to recover relatively quickly from the world recession of the 1980s was the increasing volume of investment from Japan and the rest of East Asia beginning in the second half of the 1980s.

Real GDP per capita grew from US$1,110 in 1960 to US$5,649 in 1990, which compares favourably with Ireland (US$7,481), Spain (US$8,723), USSR (US$6,270), Portugal (US$6,259) and Korea (US$6,117) and exceeded much of Eastern Europe and Latin America.[2]

But of course all this tells us little about the levels of human and social development. As the political economists in particular remind us, high growth rates do not necessarily benefit a country as a whole, and Malaysia is no exception to this. And yet it is worth looking closely at the extent to

which the benefits of Malaysian development have been unequally distributed.

Certainly employment levels are very high. Unemployment in Penang fell from 9.3 per cent of the workforce in 1970 to 5.5 per cent in 1980 and 4.9 per cent in 1990.[3] For Malaysia as a whole unemployment levels had fallen to 3 per cent in 1993, and 2.3 per cent in February 1994 (*New Straits Times*, 20 September 1994). Labour force participation rates have also risen, evidenced by the fact that while between 1980 and 1991 population growth averaged around 2.5–2.6 per cent per year, the labour force grew at an average annual rate of 2.8 per cent (World Bank 1993: 311).

As for other measures of 'human development', between 1960 and 1990 life expectancy at birth rose from 53.9 to 70.1 years. In the same period the under-5 mortality rate fell from 105 to 29 per 100 live births between 1960 and 1980. Between 1965 and 1988 daily calorie supply as a percentage of requirement rose from 101 per cent to 119 per cent. Between 1970 and 1990 the adult literacy rate rose from 60 per cent to 78 per cent and between 1970 and 1989 the combined primary and secondary enrolment ratio rose from 62 per cent to 77 per cent.

How is this new wealth distributed? According to estimates published in 1992 (UNDP 1992) real GDP per capita stood at US$5,649. The real GDP per capita of the lowest 40 per cent of households was US$510. Measured as a percentage of average GDP, this made the poorest 40 per cent in Malaysia worse off than their Korean counterparts, but better off than the bottom 40 per cent of households in Brazil. The income share of the lowest 40 per cent of Malaysian households was 13.9 per cent, roughly the same as in the United States and Australia where the comparable figures were 15.7 per cent and 15.5 per cent respectively. The income ratio of the highest 20 per cent to the lowest 20 per cent was 11.1, and the gini coefficient of income distribution was 0.48, compared with 0.36 for the Republic of Korea, 0.57 for Brazil and 0.50 for Mexico. The proportion of the population living below the poverty line between 1980 and 1989 averaged 27 per cent overall, and 38 per cent in rural areas (UNDP 1992), although my figures for Penang show how this has fallen in the last fifteen years to 5.3 per cent in urban areas and 11.4 per cent in rural areas (see Institute of Strategic and International Studies 1991). These sorts of figures suggest that income inequalities in this rapidly growing economy have tended to be rather greater than in the East Asian newly industrialising countries (NICs), rather less than in the rapidly growing economies of Latin America, and roughly the same as in places like the United States and Australia.

To understand the current situation, it is important to look more closely at variations in the growth rate in the years since 1970. Probably the most astute

analysis of Malaysia after the economic downturn has been provided by Khoo Kay Jin who explains the initial successes of the 1970s in the following terms:

> A combination of economic circumstances, particularly in the latter half of the seventies, gave the state sufficient room for manoeuvre when faced with the reluctance of say, domestic capital, to play along or when confronted with demands from below. Generally favourable international circumstances, including the commodities boom and the worldwide reorganization of capital investment, state led demand and investment primarily via public enterprises . . . and the discovery of offshore petroleum resulted in an exemplary growth rate. Real GDP averaged 7.6 per cent for the 1970–80 period, and 8.6 per cent for the 1975–80 period. Per capita income increased from M$1,100 in 1970 to M$3,700 in 1980. Given that the country was awash with cash including, importantly, petroleum revenues, this impressive performance was achieved without undue stress on the budget and on the balance of payments.
>
> (Khoo 1992: 50–1)

But the situation in the 1980s was quite different. In the early 1980s and again in 1985 the Malaysian economy went into a relatively severe recession. Per capita income actually fell in both 1985 and 1986, state expenditure contracted, and unemployment rose from 5 per cent in 1982 to 8.6 per cent in 1987, small and large businesses went bankrupt, the 'urban middle classes experienced declining real incomes', private consumption declined leading to a collapse of the commercial sector, rubber prices fell, manufacturing contracted with consequent job losses and, partly as a consequence of the recession in the West, foreign investment began to dry up (ibid.: 51–57 *passim*). The period was also characterised by a steady rise in state debt and a balance of payments deficit. By the end of 1987, for example, the total accumulated loss of non-financial public enterprises reached US$850 million, and external debt service ratio of these increased from 4.6 per cent in 1985 to 5.8 per cent in 1986, and 5.9 per cent in 1987 (see Toh 1990: 21).

In short, while in the first half of the 1980s the predictions of the pessimists about the fragility of Malaysia's developmental trajectory seemed to be coming true,[4] the signs are that Malaysia has come out of the recession of the 1980s very strongly indeed, more strongly probably than most Western economies. As our figures show, high growth resumed from around 1987, unemployment again fell (so much so that in recent years there is much talk in Malaysia of severe labour shortages), poverty rates again began to fall, and incomes have risen steadily.

What does all this tell us about class formation? To get at the economic correlates of class formation, particularly of the newly wealthy middle classes, we need to ask about the institutional context that has generated this pattern of economic growth. The politico-economic system that has developed in the years since 1970 has been characterised by three inter-related processes: a process of export-oriented industrialisation (EOI), particularly in the manufacture of semiconductor components enabled through high levels of direct foreign investment by transnational corporations; at the same time a rapidly growing state sector – ultimately one of the largest in the world – dominated by a relatively large number of financial public enterprises (FPEs), non-financial public enterprises (NFPEs) and trusts; and finally the emergence of a rather unique system of what we might call party capitalism (often glossed in Malaysia by the term 'money politics'). This transformation was generated by a realignment of social forces in the years after independence.

FROM COLONY TO NIC?

Since independence in 1957, the incorporation of parts of north Borneo and the splitting off of Singapore in 1985, the Federation of Malaysia has been made up of the ten peninsular states and the two states of East Malaysia, Sabah and Sarawak. The dominant mode of colonial accumulation was centred around large colonial enterprises, particularly plantations and mines. Large-scale tin mining in Perak and Selangor and rubber planting in the north, but particularly in the south, were typically controlled by European agency houses based in Singapore and, to a lesser extent, Penang, while from early on there was also significant involvement by overseas Chinese capital particularly in tin mining, and also in the trade in and processing of tropical commodities. These large enterprises also instituted a particular labour regime within plantations and mines, involving not so often the fabled independent European planter but a plantation manager on the one hand and an often immigrant labour force with a variety of obstacles to labour mobility on the other. The latter was mainly from South Asia in the plantation sector and China in the mining sector.

But, contrary to the impression given in traditional dualist models of the colonial economy, this 'plantation system' shaped social, political and economic relations beyond the boundaries of the plantations and mines themselves. First, as we have already suggested, the reproduction of the particular labour regime within plantations and mines was made possible by the relation between agency houses, large foreign-owned corporations and an international colonial political system which ensured access to

capital, cheap land and very low-waged labour. Second, the search for even greater areas of land for plantations, mining or speculation led to conflicts over land with established local Malay or immigrant Indonesian communities. The result was the emergence of peasant communities in the interstices of a land-hungry plantation and mining regime; in other words, the emergence of a mass of small-scale, often family-based, semi-commercialised farming and fishing enterprises.[5] Contrary to what is often assumed, levels of commercialisation in the pre-colonial regional economy were relatively high – indeed most historical accounts draw attention to the significant role played by the control of trade in tropical products in securing the power of local Malay elites – chiefs, rajahs and sultans. Less has been written about the ways in which the expansion of colonial enterprises undermined indigenous commercial activities. Yet it seems that, at least in certain parts of the Malay world, the result of colonial land alienation was not just to undermine the traditional economic basis of political hierarchy, but to force local villagers into a search for alternative ways of earning a cash income. Already relatively mobile, members of at least some ethnic groups, notably the Minangkabau and Achenese of Sumatra and the Buginese from the Celebes, turned increasingly to commerce and small-scale manufacture, often pulled to the newly emerging urban centres like Singapore and Penang. In this way the new colonial regime of accumulation had far-reaching effects on the economic organisation not just of plantation and mining enterprises, but the so-called peasant and urban 'informal' sectors as well.

Apart from the effects of the plantation system, the colonial period also witnessed changes associated with the rise of a (modern) colonial state. Never simply an expression of the interests of foreign capital, indeed at times positively antagonistic to it, once it was drawn into the process of colonisation the colonial state pursued its own project. The British in Malaya here played an interesting double game. In seeking to monopolise the means of coercion within the boundaries of the colony, they sought to coopt the Malay rulers – sultans, rajahs, etc. – by offering those who favoured British rule support against challengers. At the same time the Malay rulers were gradually turned into instruments of the colonial government, given salaries or pensions in lieu of the payments that they had previously extracted from traders, even creating the trappings of 'traditional Malay' rulership through elaborate installation ceremonies and the like (see Muhammad Ikmal 1995). At the same time the modern colonial state generated an increasingly uniform and dependent system of village governance, a system increasingly mediated by a class of village officials, but also a village elite which either directly or indirectly owed its position

to its particular relationship with the colonial state. Put another way, the main social inequalities in Malayan villages in the colonial period (as opposed to conditions inside the estates and mines) were not between agriculturally based 'capitalists' and a rural 'proletariat', but between a more or less differentiated peasantry – a 'middle class' of officials, school teachers, policemen, extension agents and a few rather small businessmen – and an 'aristocracy' made up of the 'traditionalised' rulers, descendants of the sultans.

To understand the nature of empire, however, it is not enough to examine the economic and political imperatives that shape it. Instead, as Edward Said and others have argued, empire is and has always been also a cultural project. British Malaya in particular was formed out of a particular imperial ideology. And here, contrary to those who see in all European empires evidence of a civilising mission, the imperial project was founded overwhelmingly on another great imperial myth, namely the myth of the 'special position' of the Malays. While liberals may have sought to justify British rule in civilisational terms, the evidence suggests that, on the contrary, the colonial rulers saw themselves as the protectors of Malay tradition. The impact of this cultural project was manifest in many ways – in the granting of special land rights through the Malay reservation scheme, in the special role given to the 'traditional' rulers, and in the attempts to codify and then apply 'adat law'. This myth of Malay privilege, moreover, given that it was in many ways an imperial construction, was also highly paternalistic. Typical of such imperial discourses elsewhere in the world,[6] it implied that the colonial rulers, rather than the ruled, were in the best position to decide what did and what did not constitute 'tradition'; it is not surprising therefore that, in spite of its supposed admiration for indigenous traditions, it also at times generated highly unfavourable, even racist, comparisons with the modern West.[7]

The imperial myth of Malay privilege found its way into independent Malaysia, a result of the means by which the colony eventually achieved its independence, for when independence was negotiated with the British the special status of the 'indigenous' Malays was ensured.[8] While Malaysian independence was achieved without a nationalist revolution as in neighbouring Indonesia, the years leading up to independence were marked by two struggles which have left their imprint on modern Malaysia. First, there was the armed struggle against colonialism by the, it is said, mainly Chinese Malaysian Communist Party which resulted in the so-called Emergency – a struggle which was put down by the British with help from at least the Malay political elite. Second, there was the non-violent confrontation between the British government, who wished to cede Malaysia to a

multiracial coalition under the provisions of the Malayan Union, and the Malay nationalist movement whose separate groups came together to form the United Malay Nationalist Organisation (UMNO), which has been the dominant political party in all ruling coalitions since independence. As this suggests, the British ultimately accepted the claims made by the UMNO leadership to special status as representative of the indigenous Malays, partly in return for cooperation in the conflict with the Malaysian Communist Party, and partly because the UMNO had already formed a 'multiracial' alliance with a Chinese party, the Malaysian Chinese Association (MCA). This set the framework for Malaysian politics which has been characterised since that time by, among other things, ethnically based parties (the few attempts to set up non-ethnic parties have largely been unsuccessful) on the one hand, and a general acceptance of the 'special privileges' of the Malays, on the other.

In the early years of independence little changed to alter this discourse of race and the division of labour. But among the Malays, or at least among the Malay middle classes (including government employees, a small number of Malay businessmen, low-ranking UMNO party officials, etc.), a renewed nationalist sensitivity began to develop based on the view that independence had not delivered much to them, conditions still favouring Chinese entrepreneurs on the one hand and the Malay aristocracy on the other. One consequence of this was the organisation of two national 'Bumiputera Congresses', in 1965 and 1967, during which Malay nationalists called for greater benefits to be channelled their way through quotas, preferential licensing arrangements and the like. It was this pressure that, probably more than anything else, explains the social goals that were incorporated into Malaysian developing plans in the years after 1970.

For the more than two decades since that time, Malaysian planners set for Malaysia twin developmental goals. On the one hand planning has been characterised by strong economic imperatives – to increase income levels and national wealth by promoting rapid public and private sector industrialisation, the latter in particular characterised by high levels of direct foreign investment. Recently the prime minister, Dr Mahathir, has rededicated his government to the task of industrialisation, pledging to turn Malaysia into a 'developed' country by the year 2020.[9] On the other hand, from the beginning of this period, government planning has also had a largely social goal, to achieve what in Malaysia is usually called economic restructuring. Basically this refers to attempts to uncouple the connection between economic function and ethnicity that emerged in the colonial period, and particularly to channel a greater proportion of the nation's wealth to (a section of) the Malay community.[10] This restructuring aim of the New Economic Policy, while often thought to have

been an immediate response to the so-called race riots of 1969, has in fact been the legacy of Malay nationalism, a discourse in turn shaped in significant ways by the imperial discourse of Malay privilege as we have seen. What has been the result of this planning?

The two features that are most commonly singled out to characterise the contemporary Malaysian political economy, both attributable to the change in direction promoted by the New Economic Policy first proclaimed in 1970, are the global factory regime on the one hand, and a hypertrophic public sector on the other. While the result of a pattern laid down in the colonial period – of heavy foreign, mainly British, investment and a hypertrophic colonial state – the recent alignment of political and economic forces has also been influenced by more recent changes in the pattern of foreign ownership and in the level of state participation in the economy during the 1970s and early 1980s.

The development of Malaysian electronics manufacturing is linked to developments in the world industry which, due to the pressure of rising labour costs and increased international competition, led to the relocation, particularly of the labour-intensive stages of production, from the industrialised countries to places where labour was far cheaper. Malaysia became a prime target for such relocation strategies partly because of its low labour costs and partly because it had an English-educated workforce, but also because the Malaysian government at the same time was looking to move from an import-substituting to an export-oriented path of industrialisation to create employment, particularly for Malays.

As a result Malaysia offered foreign electronics firms favourable conditions – including tax breaks, liberal treatment of profit repatriation and restrictions on unionisation, particularly in the so-called Free Trade Zones. The story of the growth of the Malaysian electronics industry has been written many times, and there is no reason to repeat it here. Suffice it to say that from the time that America's National Semiconductor established its first assembly plant in Penang's Free Trade Zone in 1971, the industry grew rapidly. Between 1970 and 1980, 'the number of establishments increased 24 times, total employment increased 199 times, wages and salary payments 236 times, and sales value 167 times. In addition, between 1975 and 1979, there was a 142 per cent increase in investment in fixed assets' (Narayanan and Rasiah 1989: 4).

Electronics during the 1970s became a key sector of the Malaysian economy. In 1970, for example, it accounted for only 0.2 per cent of manufacturing employment, while by 1980 that had risen to 12 per cent, accounting over the decade for 22 per cent of the increase in manufacturing employment (ibid.: 5). And by the late 1980s electronics accounted for

Table 3.1 Size of Malaysia's public sector (government expenditure as percentage of GDP)

Year	*%*	*Year*	*%*
1966	23.2	1977	32.6
1967	23.9	1978	31.0
1968	22.8	1979	31.5
1969	21.7	1980	40.4
1970	23.7	1981	47.8
1971	26.8	1982	44.5
1972	30.2	1983	37.9
1973	23.9	1984	35.0
1974	27.0	1985	34.6
1975	31.4	1986	38.0
1976	29.1	1987	39.0

Source: Ismail Salih and H. Osman Rani 1991: 11.

> 18 per cent of the country's manufacturing output, 21 per cent of the total work-force and 44 per cent of Malaysia's export of manufactured products. Malaysia has become the world's largest exporter, and third largest producer of semiconductor devices. So rapid is its growth that in early 1987 electronics surpassed oil as the leader in export earnings, and by 1995 export earnings are projected to reach M$16.7 billion.
>
> (Kamal Salih and Young 1989: 60)

However, painting a picture of Malaysia as a global factory with the implication that documenting the emergence of a – largely female Malay – proletariat provides a sufficient account of class formation in the post-colonial period is misleading. At best the account is incomplete since it fails to include significant areas of even the industrial sector as a whole in this period. In particular it misses a second major development – that of a large and growing public sector.

The figures in Table 3.1 testify to the relatively large size of Malaysia's public sector as well as its growth in the years after 1970. Indeed, when measured in this way, Malaysia's public sector can be seen to be one of the largest in the world, rivalling even those of the socialist economies of Eastern Europe before their collapse.

If Malaysia's public sector makes a greater contribution to GDP than does the electronics industry, it also employs more people. In 1980, for

example, the electronics industry employed just over 68,000 people. In the same year 692,000 people were employed by the Malaysian government (see Ismail and H. Osman: 35). By 1987 14 per cent of the total workforce was employed by the public sector. An ILO study published in 1983 showed an average increase in public service employment in developing countries of between 3 per cent and 12 per cent per year. The comparable figure for industrial countries was from 0 per cent to 3 per cent. But the number of Malaysian government employees grew at rate of 7.6 per cent per year between 1975 and 1980 (ibid.: 6).

The term 'public sector' of course covers a wide variety of activities, including various government departments, the armed forces, etc. However, the term 'state capitalism', which has often been applied to Malaysia, implies a high level of direct state involvement in the national economy. To some extent this is demonstrated by the gross figures on the growth of the public sector. But it is more important to note that in the period under consideration, from 1970 to the early 1980s, the greatest growth in Malaysia's public sector is accounted for, not by the increased size of government departments, but by the tremendous growth in the number, size and scope of public enterprises.

There was a small number of such public enterprises set up in the colonial period such as FELDA (Federal Land Development Authority) established in 1956 and RIDA (Rural Industrial Development Authority) in 1953. Even by the 1960s, however, public enterprises were mainly for 'regional economic development purposes'. But the main growth in the numbers and size of public enterprises from the 1970s took place in the industrial and financial sectors, so that now public enterprises produce around 40 per cent of Malaysia's non-agricultural GDP. The list of NFPEs established in this period has included companies like Antara Steel Mills Bhd, Koko Malaysia Bhd, Bintalu Port Authority, Cement Manufacturers (Sabah and Sarawak), FELDA Oil Products and Factories, Fina Metal Box, HICOM (heavy industries), Kedah Cement, Perusahaan Otomobil Nasional Shn Bhd (the manufacturers of the 'Malaysia car', Proton), the Johor Port Authority, KTM (railways), LLN (state electricity corporation), MAS (national airline), MISC (shipping), Mardec (Malaysian Rubber Development Corp.), Pernas, Harrisons Malaysian Plantation, Kumpulan Guthrie (plantations) and the Urban Development Authority. By 1986, 80 per cent of total state investment in public enterprises was in the financial, manufacturing and extractive activities rather than in the agricultural sector, and one-third of these enterprises have a public equity share of more than 50 per cent (ibid.: 75).

In addition to the NFPEs, the state has also set up a number of key FPEs, notably the Bank Bumiputera, the Industrial Development Bank, the Development Bank, the Agricultural Bank and the People's Bank (see Toh 1990). Finally there are the trust agencies, notably PNB (National Equity Corporation) and ASN (Amanah Saham Nasional), through which the state has acquired often controlling interest in a wide variety of enterprises 'on behalf of' indigenous Malays.

In the 1970s and early 1980s analysts of Malaysian political economy tended to focus on the growth either of a largely foreign-owned electronics industry or of the large public sector. As a result they missed at least one notable trend that has since come to be very significant, namely the emergence of what I have termed 'party capitalism' or what in Malaysia is now most often termed 'money politics', particularly by its critics. The term describes

> a range of practices whereby the benefits of State economic sponsorship and protection are channelled to individuals, groups and private companies associated with the ruling political parties, in particular UMNO . . . the rise of Money Politics has resulted in the blurring of State and UMNO business interests and the increasing dominance of UMNO and UMNO associated enterprises in the economy.
>
> (Kahn and Loh 1992: 2)

While other countries during the last few decades have evolved large public sectors and/or pursued a policy of EOI, Malaysia may well be unique for the extent of political party involvement in its corporate sector. To quote the foremost expert on UMNO's corporate investment policies:

> The nature and extent of political party involvement in the corporate sector is probably unique to Malaysia. To date, there are few other political parties in any part of the world which have control over so wide a range of business ventures as do the United Malay Nationalist Organisation (UMNO), Malaysian Chinese Association (MCA) and Malaysian Indian Congress (MIC).
>
> (Gomez 1990)

In fact in the early days it was not UMNO but the main Chinese party, the MCA, that led the way with activities such as lotteries, and then in the early 1970s with a large and initially very successful holding company, Multi-Purpose Holdings. Interestingly the initial reasons that the UMNO leadership chose to become involved in business stemmed from a need for funds to support party activities on the one hand, and a desire to reduce UMNO's

dependence on well-off, largely Chinese businessmen whose donations had previously supported the party on the other.

Early attempts by UMNO to set up businesses were largely unsuccessful. The first meaningful venture by UMNO into the corporate world was the establishment in the early 1970s of a major investment arm, Fleet Holdings, by a former party treasurer, Tengku Razaleigh Hamzah. The impetus was both to find a source of income to finance the building of the proposed new UMNO headquarters in Kuala Lumpur, and at the same time to buy the main English-language newspaper, the *Straits Times*, at that time based in Singapore.[11] The renamed New Straits Times Press thus constituted the first subsidiary of Fleet Holdings. In fact Razaleigh himself acquired a controlling interest in the company, and then proceeded to raise the money on the stock market, hence somewhat accidentally laying down the pattern of rather nebulous relationships between business and politics that has persisted to this day. In some cases the relationship between UMNO and corporate enterprises has been quite open, as for example in the case of Hatibudi; in others the precise formal relationship between party, trustees and proxies is much less clear, so obscured by complexes of holding companies, interlocking ownership and interlocking directorates, and share-swapping, bonus and rights issues arrangements and the like, that there is no way of knowing exactly whether there is a link between the party and particular businesses or not. The point is that from rather modest beginnings in the early 1970s, UMNO's involvement in business, direct and indirect, has evolved into a complex web which, however difficult to untangle, much less to quantify, has become an absolutely critical dimension of Malaysian political economy, benefiting particularly Malay-controlled businesses at all levels through special access to contracts, and UMNO itself through a steady flow of funds into party coffers.

Now, how has this institutional complex affected the patterns of class formation and social stratification laid down during the colonial period? In particular where do we find the middle classes in all this? Dealing with these questions requires a closer look at the developing occupational patterns within each of these sectors.

THE GROWTH OF MIDDLE STRATA: ELECTRONICS, STATE ENTERPRISES, PARTY CAPITALISM

There is little room for the middle classes in most of the literature on the Malaysian electronics industry. Here instead the dominant image of the Malaysian economy in this period is of the 'world factory' where the labour-intensive stages of TNC (transnational corporation) manufacture (particularly of elec-

tronics products) carried out by a large, unskilled, largely female labour force, compelled to work for relatively low wages; of an absence of unionisation and a high rate of labour turnover, combined with a lack of significant linkages between the so-called Free Trade Zones and the rest of the national economy. At a general level, according to so-called new international division of labour (NIDL) theory, the actual benefits to places like Malaysia were strictly limited. This image was popularised in the flood of writings on Malay women workers and world factories that began to appear in the late 1970s. Here it was maintained that, at best, countries like Malaysia would be stuck in a low-wage trap, because the transnational corporations that dominated the industry were interested in places like Malaysia only as suppliers of cheap labour. A good deal of the best-known literature focused on the working conditions in global factories, emphasising the ways in which young, unmarried women workers were exploited by (and sometimes engaged in 'hidden protest' against)[12] factory owners and oppressed by Malay/Muslim authority structures.

NIDL theorists suggested, further, that any increase in wage levels, combined with the opening up of other regions to foreign investment, would act to choke off the development of places like Malaysia choosing to pursue the path of EOI, first because the 'enclave' nature of the export sector had failed to stimulate any internal growth and, second, because inevitably the TNCs would find other, more profitable, places to invest (even to return low-wage manufacture to the 'core' when the recession hit places like California). Certainly in recent years there has been a concern that foreign investment will be drained off by lower-wage economies like Indonesia and the Philippines, and now, increasingly, China and Vietnam.

However, partly because of changes in the structure of the world electronics industry and partly because Malaysia has, particularly since the mid 1980s, been attempting to 'lever' its economy upward by selling itself as a high tech/high skill environment, there is evidence that the 'world factory/low wage' model of the export sector is no longer adequate, presuming that it was in the first place. Singapore, of course, has had considerable success in this area, achieving what is often called a Second Industrial Revolution by selling itself as a 'global city'; encouraging higher tech industries; pushing low wage/low tech investment offshore (e.g. the 'growth triangle' with southern Malaysia and Indonesia), and promoting the outflow of Singapore capital into low-wage economies (most recently China), at the same time working to ensure that regional headquarters and profitable producer services for these activities are located in the Republic; and pursuing various 'human resources' options to upgrade the skill level of the Singapore workforce. But there is evidence too that both because of a

conscious strategy to upgrade the technological level of the export sector, and because of changes particularly in the nature of the global electronics industry, there have in recent years been important changes in Malaysia as well, resulting in a significant shift away from the earlier model of a low-wage factory – a shift that, were it to take hold, would make it necessary to revise significantly our earlier notions about EOI in places like Malaysia.

In a paper published several years ago, for example, two Malaysian researchers documented some potentially significant changes in Malaysia's electronics industry, which is centred largely on the so-called Free Trade Zones on Penang island where Malaysia's first semiconductor assembly plant – owned by America's National Semiconductor – was established in 1971. Kamal Salih and Young suggest that since the early days, when indeed Penang's semiconductor industry was characterised by low wages, a predominantly young, Malay, female workforce, and labour as opposed to capital intensivity, more recently, and particularly since the mid 1980s, there is evidence of the beginnings of a 'second phase' or 'second wave' of development characterised by 'declining direct labour' on the one hand, and 'technology deepening' on the other – both developments, it may be said, that, if genuine, would represent positive responses to Malaysia's own current situation characterised by a fear of loss of foreign investment to low-wage areas on the one hand, and what is at least perceived to be an acute labour shortage on the other.[13]

Of manifestations of 'technology deepening' perhaps the most significant are the following: the establishment of wafer-processing plants in Penang (a branch of semiconductor manufacture which was formerly restricted to the 'core' country operations of electronics firms); greatly increased levels of plant automation; the introduction of the just-in-time (JIT) system which cuts costs by reducing inventories and greatly decreasing turnround times; and positive responses to increasing demand for the customisation of products. On the labour side this appears to mean an increase in the skill levels required of even direct production workers; an increase in the number of skilled technical workers; an increased demand for labour flexibility; decreased levels of labour turnover; relatively higher wages; and a corresponding decrease in the absolute and relative numbers of low-paid direct production workers (which has also meant a decline in the proportion of women workers and of *bumiputeras* in the workforce).[14] Even in the electronics industry, therefore, there is a suggestion that a middle stratum of skilled workers, computer scientists and engineers, and middle-level managers has emerged, located somewhere between the unskilled worker on the shop floor and the, often expatriate, general management.

Trends in wages and the structure of the public sector workforce in the 1970s and 1980s also differ from the polarisation anticipated for the global factory regime. If the former were characterised, at least in the early years, by relatively low wages and a high proportion of semi-skilled and unskilled workers, between 1971 and 1985 the growth rate of public sector employees was highest for group A employees (highest level, managerial) at 16.6 per cent, while group B grew at 10.2 per cent, group C (clerical and skilled) at 13.2 per cent, and group D (unskilled) at only 9 per cent (see Ismail Salih and H. Osman, 1992).

Moreover, and again contrary to the predictions of NIDL theorists, at least some linkages are being formed between large-scale foreign-owned/transnational firms or large public enterprises and small and medium-scale industries (SMIs). The picture is complicated by the fact that while some of these SMIs are locally owned, others are themselves transnational, originating primarily from Korea, Taiwan and Singapore. Kamal Salih and Young, along with many other observers, for example, have noted the growth of intercompany upstream linkages that have developed around Penang's TNCs and local firms, particularly those involved in engineering and packaging, as well as the increasing extent to which TNCs are turning to the NICs, Singapore and places like Malaysia for the regional sourcing of components; and to the development of subcontracting relations between TNCs and Southeast Asian companies. To some extent this also confounds the theorists of state capitalism – a good example of such arrangements surround the production of the 'Malaysia car' – the Proton Saga. In fact a Mitsubishi partly manufactured in Selangor's Klang Valley, and subsidised particularly on overseas markets by the Malaysian government, Proton Saga has generated an increasing number of small-scale local firms producing an increasing proportion of components that were previously supplied from abroad.

The Malaysian government has for some years been putting a good deal of effort into developing local SMIs, and while it is often difficult to separate real from rhetorical energy, and while the extent to which this is due to linkages with TNCs and state enterprises or not is still difficult to judge, there is little doubt that at least since the mid 1980s there has been a very real growth of small and medium-scale industry, particularly in the high-growth areas like the Klang Valley, Penang and Johore.[15]

To some extent following on from this, Malaysia has witnessed some recent growth in the services sector, a phenomenon also of course noted in the West. In 1990 and 1991, for example, the service sector grew faster than the whole economy (11 per cent as compared to an overall growth rate of 9.7 per cent and 10 per cent compared to 8.7 per cent) (World Bank 1993: 310). This has a

number of implications for existing models of Malaysian class structure. For example, an analysis of contemporary inequalities must take special note of the apparent rapid expansion of new kinds of low-wage employment associated with the so-called informal sector which is a significant supplier of consumer services in Malaysia.[16] But also we must take note of the rapid growth, particularly in areas of greatest manufacturing activity, of service firms, includ- ing those providing producer services, that provide employment for the members of a rapidly growing professional class.[17] In a place like Penang, for example, there is clearly an increasingly large number of often relatively small firms employing professional lawyers, engineers, computer experts and pro- grammers, architects, advertisers, estate agents, etc., while financial services (when they are located in Malaysia) tend to be concentrated in Kuala Lumpur. Finally, this growth of both services and SMIs testifies to a level and diversity of economic activity that was not anticipated by either models of Malaysian political economy.

The development of party capitalism has also had implications for the patterns of social stratification. Party capitalism, as we have seen, has developed into a central defining feature of contemporary Malaysian capitalism, and at all levels and in all sectors of the economy. I have neither the space nor the detailed knowledge to expand on this point in any great depth here except to point out that there is almost nowhere in Malaysia in which the relationship particularly between the UMNO and the corporate sector is not a defining feature of economic organisation. This has had particular implications for the ethnic Malays. In the years both before and after 1970, for example, Malay involvement in corporate activities was often confined to their playing the role of frontmen for Chinese business-men who established relations with prominent Malays in order to ensure access to government patronage.[18] While these kinds of arrangements still exist, no longer is Malay participation in business limited to the role of political patron or go-between. Instead, building largely on UMNO patron-age, we are seeing at all levels the emergence of Malay entrepreneurs playing a significant role in their own right. This fact is often missed by those looking for old-fashioned Schumpeterian entrepreneurs in Malaysia. But this is to lose sight of the fact that nowhere in the world are the key players in modern capitalism small businessmen, engaged in direct pro-duction, who have 'pulled themselves up by their own bootstraps' as it were. Instead, 'successful' capitalist entrepreneurs these days, in the West as well as Asia, are more often those most successful at negotiating loans, organising takeovers and the like.[19]

Gomez focuses largely on the 'big' players, showing how a relatively small number of Malay big business figures, many also prominent party

figures, emerged particularly in the 1980s, took organisations like Fleet Holdings from 'an investment holding company, probably with the intention of acquiring assets for UMNO', managing assets and reinvesting in the business to major players in the corporate sector, diversifying, setting up huge conglomerates, raising large loans backed by government guarantees, raising money on the KLSE and elsewhere, etc. (see Gomez 1990). Similar trends are evident in the development of Chinese business (see Sieh 1992; Heng 1992). Here the older categorisation of economic activities – public and private sectors, productive and rent-seeking, etc. – as well as the dividing line between politics and business have become so blurred as to make them almost useless.

But these kinds of businessmen have emerged at all levels from at least the early 1980s. Studies of rural areas, for example, document the emergence of a new rural elite of much smaller-scale contractors, owners of construction firms and the like – more often than not owned and operated by ethnic Malays who benefit from the preferential award of government contracts to build schools and post offices, and to set up various agricultural enterprises or enterprises supplying agricultural inputs, marketing products or processing agricultural products.[20]

One area in particular in which smaller businessmen – Chinese, but also increasingly Malay for obvious reasons – have emerged in large numbers is in construction and property development.[21] In urban centres like Penang, where the transformation of the urban landscape through housing and commercial development is taking place at a pace and scale that has to be seen to be believed, construction and property development are the leading economic sectors. Indeed official figures show that in the late 1980s and early 1990s, construction was the fastest-growing sector of the Malaysian economy. The rapid growth of party capitalism has therefore been associated with the emergence not just of a new breed of corporate executive, but of a huge and growing middle range of professionals and entrepreneurs.

Developments such as these are behind the statistical growth in middle-class occupations noted above. The size of the Malaysian middle classes suggests an economy able to support a larger proportion of relatively high-income earners than suggested by earlier 'global factory' and 'state capitalism' models of the Malaysian economy, and, significantly, also suggests that the Malaysian economy is able to support levels of consumerism that, equally, we might not have anticipated in the early years of EOI nor during the recession of the mid 1980s. Not surprisingly the advertising industry discovered the middle class before the academics. In this regard a report of the findings of market researchers commissioned by the *New Straits Times* is illuminating. The firm in question, Survey Research Malaysia, employed an apparently novel

approach to research based on identifying what they call 'psychographic segmentation' in the consumer market, to divide the population according to what might be called different consumer cultures or subcultures.[22] Surprisingly, the major subdivisions identified by this research were not ethnically determined, but bear a greater resemblance to classes. And among these, a very significant 'class' is composed of the NQTs or 'not quite theres'. To quote selectively from the article:

> NQTs appear to be halfway up the ladder of success but, as the name suggests, they are not quite there. . . . This group is particularly introverted, spending-oriented, neurotic, unadventurous, traditional and lacking in confidence. They are also ambitious, family-oriented, religious and nationalistic.

And, after discussing the consumer preferences of the NQTs, the article goes on to say: 'The NQTs have a lower average income than the Upper Echelons. While the proportion of White Collar Workers is high, they tend to be in the middle and lower levels of the group.'

The impact of the emergence of the NQTs on Malaysia's consumer culture is there for all to see – in the proliferation of shopping malls, Western-owned or Western-style fast-food outlets and, increasingly, middle-range restaurants; and in the expanding demand for a wide range of consumer goods ranging from clothing, electrical and electronic goods and cars, to tourist locales and theme parks – all of which cater to the demand for fashions of distinction which will serve to distinguish the professionals and/or middle classes from the other urban (and rural) classes.

BRINGING THE MIDDLE CLASSES IN

Granted that a significant feature of the transformation of the Malaysian economy in the years since 1970 has been the emergence of a large and growing middle class, what difference does it make and why should more attention be paid to it? On the face of things there are a number of reasons to look more closely at the so-called middle strata, several of which have already been mentioned in passing. First, this is necessary to fill in a yawning gap in existing discussions of Malaysian economy and society which have up until now focused overwhelmingly either on elites – Chinese capitalists, 'new Malays' in the corporate sector and political elites (as, for example, in recent discussions of the UMNO split where most attention has focused on the personalities of the UMNO leaders, Razaleigh, Mahathir and Anwar) – or, especially in NIDL and state capitalism literature, on the 'subalterns' – poor peasants, the urban poor and particular fractions of the

working class (as we have noted especially on young Malay women working in the global factories). At the very least, some consideration of the growing middle strata is needed to fill in this picture of social groups in contemporary Malaysia.[23]

Second, more knowledge of the nature and role of the middle classes would appear to be particularly important in two areas already alluded to:

1 In considering the class structure and its impact on the economic landscape, we must now take into account the growing numbers of professional and technical workers in industry (foreign firms and also the NFPEs), and in the service sector, and the large number of smaller entrepreneurs in the new Malay-owned businesses – especially contracting and construction, the Chinese owners and managers of the SMIs, etc. The size and growth of these occupational categories has not been anticipated in the main models of Malaysian economy and society, and yet they make a significant impact on the economic life of contemporary Malaysia. For example, these are the primary consumers of a wide range of services, shopping centres, restaurants, theme parks, new housing estates, domestic tourism destinations, the arts, advertising, the media and journalism, etc. It is, for example, the consumption requirements of these middle classes that, more than anything else, shape the new urban landscapes of Kuala Lumpur, Johore Baru and Penang.
2 At the same time members of these middle-class groups also have a very significant impact on political life. As both leaders and members of political and NGO groupings, their concerns shape the contours of political life in significant, often decisive ways. This has also been true in the past, for as we have seen, the so-called New Economic Policy, proclaimed in 1970, which took as its central aims poverty reduction and economic restructuring, while often said to be a direct response to the 1969 'racial riots' in Kuala Lumpur, in fact has its origins in the pressure exerted by middle-level Malay bureaucrats and (to a lesser extent) businessmen at the Bumiputera Congresses of 1965 and 1968 (see Gomez 1990: 6; Shamsul 1986: 190; Khoo 1992). This explains to some extent why in its implementation, and in spite of its twin aims, the NEP has always been more about restructuring than direct action to reduce rural poverty, a criticism offered by many authors (see, for example, Mehmet 1986). Put another way, many of the structural changes in the Malaysian economy – the rise of the electronics industry, the proliferation of public enterprises, the development of 'party capitalism' – developed in response to the concerns of and political pressure exerted by middle-class Malays in the decade or so after independence.

More recently, evidence of middle-class political concerns, especially on the part of the Malays, is clearly manifest in the conflicts both within UMNO and between UMNO and the other main Malay parties (PAS and Semangat '46). This is not the place for a detailed discussion of the pressures leading up to the 1987 UMNO split, and the subsequent conflicts between UMNO Baru, Razaleigh's Semangat '46 and PAS. But suffice it to point out that far from being, as some observers have suggested, merely a result of a clash of personalities between prominent UMNO leaders, or a simple conflict over the spoils of money politics (although these have clearly played their part), these events testify to some major political/ideological cleavages within the Malay community – in particular between an authoritarian modernism being pushed by the Mahathir/Anwar faction (with the support of the big players in the corporate arena) and middle-level Malay businessmen who are loath to see the 'traditionalist' policies of UMNO replaced by pure economic rationalism. And middle-class groups – Malay, Chinese and Indians – line up on different sides of this split for particular reasons that need to be understood.[24] Here, contra those who see an intimate relationship between market rationality and democratisation (cf. Mehmet 1986), or those who look to the middle classes to carry the torch of political modernism, we have a modernist agenda being pushed from above, as it were, and hence a modernism that must perforce be authoritarian at the same time. This makes sense only when the particular circumstances of the middle classes are taken into account.

Finally, since the above discussion has focused largely on the concerns of the Malay middle classes, we might also mention the changing situation of the Chinese business classes, and particularly of the owners of SMIs. We have already noted the transformations in the nature of corporate activities among the Chinese owners of large businesses. But while this group may have been able to adapt to the times, small Chinese business has probably suffered more than most during the years since 1970 – both because of the pro-Malay policies that flowed from the restructuring aims of the NEP, and because of the preferential treatment increasingly awarded to foreign capital in the export zones. At the same time this group may well have grown as a result of the developing linkages with the foreign sector. As a consequence, it appears that a party like the DAP has been able to draw support from this group in its opposition to the Barisan government.[25] Once again the middle classes are shaping political conflict, although as often as not in ways that depart significantly from the classical model that a modernising/democratising middle class might suggest.

The third reason that more attention needs to be paid to the middle classes, one already implied in what I have said above, has to do with the

question of legitimacy at a more general level. As Immanuel Wallerstein and a number of others have pointed out, the legitimacy of modern forms of political domination rests on legitimation in the eyes of the middle strata more than it rests on the legitimised domination of working classes and other 'subaltern' groups. And the reverse is probably true as well, namely that challenges to the established political order are more likely to come from a crisis in the reproduction of legitimation among the middle classes than from elsewhere. To take just one example, the current challenge to the cultural authority of states posed by the eruption into the public sphere of the previously suppressed 'voices' of subaltern groups – like women, ethnic minorities, indigenous peoples and the like – can probably be better explained by reference to the conditions under which intellectuals and other members of the middle class have been led to 'speak the voice of the subaltern' as it were, rather than to any increased dissatisfaction or even direct 'empowerment' of members of these subaltern groups themselves. Moreover the extent to which regime maintenance does require ideological cooption of subaltern groups is generally achieved through and/or mediated by members of the middle strata, who may in turn challenge regime legitimacy by 'mobilising' (re-presenting) the voices of the dominated as part of their struggle against political elites. This rather specific role played by the middle classes in both the legitimation of and resistance to regimes of power is clearly evident in the recent political conflicts in Malaysia discussed above, suggesting once again that more attention than has been paid in the past should now be paid to the middle classes.

A fourth reason to bring the middle classes into the picture is closely bound up with the issues of culture and reflexivity. I have written about these connections in more detail elsewhere. Here let me just point out that the issues here are both methodological and substantive. I have discussed the former in some detail elsewhere (see, for example, Kahn 1993). Let me point just to the more substantive issue of the particular importance of 'culture' – in the anthropological sense of cultural differentiation – as a crucial aspect of the meaningful experience of most Malaysians. For example, in contemporary Malaysia political life, the legitimation of political regimes and political conflict, whatever else they involve, almost inevitably involve questions about the content of and boundaries between different 'cultures' – Malay culture, Chinese culture, Indian culture; the relationship between Asian and Western culture; the role played by religion, particularly Islam in Malaysian culture, etc. It is quite simply inadequate to maintain that such a way of conceiving of Malaysian political process is an epiphenomenon of the economy, or the structure of power; that, in other words, what are perhaps too frequently termed

'questions of ethnicity' are mere cloaks for more 'real' or 'material' bases of political action.

And here an observation is in order. When we focus on the central significance of culture (in the anthropological sense) within the culture (in the political sense) of contemporary Malaysia, we find, as we would find in many places where so-called 'identity politics' is now coming to the fore, that the project of culture building, i.e. of speaking for a culture, of drawing the boundaries within and between cultures, of defining the content of 'Malay culture', 'Chinese culture', 'Islamic culture', 'modern culture', 'Asian culture', etc., while it might purport to be about a pre-existing cultural differentiation among 'the masses', is in fact very much a project of at least certain members of the middle classes. Indeed, to the extent that intellectuals are members of the middle classes this is almost true by definition, since the role of intellectuals in modern states has largely been defined by their function as guardians of/spokespersons for national or regional cultures. This suggests, incidentally, that looking at Malaysian culture must include looking at the production and consumption of cultural representations among the middle classes, although it should also of course include looking at the cultural content of all dimensions of social life.

But putting culture back in to get round these problems is not nearly as straightforward as might appear at first sight. The reason that the classically conceived anthropological project of cultural analysis is bound to fail is that when we produce a cultural 'interpretation' – say, of Malaysian political life – we cannot leave ourselves out of it since we are at least part of the dialogical process out of which such an interpretation is produced, if not its sole author. This, moreover, suggests another intimate link between culture and the middle classes – which is that, in so far as we as observers are located and locate ourselves within an emerging global middle class, then we stand in a relationship increasingly of identity with middle-class culture builders in Malaysia. This means that accounts of Malaysian middle-class culture are less objectified/externalised than are the kinds of (colonial) anthropological accounts of cultural otherness, where the relationship between observer and observed is largely either ignored, or confused with a dyadic interaction that takes place over a very short space of time in the 'field', with ultimately no genuine commitment on the part of the observer except to his or her academic career 'back home'.

Now, arguing for bringing culture and the middle classes back into the picture of the nature of Malaysian development is, of course, to beg many questions. For example, I have here avoided the question of what I mean by 'middle classes' – although by consciously using the plural form of the term

I have suggested that the assumption of unity in much of the literature is problematic.[26] I do not want to suggest, for example, that doing so will ultimately produce a more accurate – because more complete – picture of Malaysian life. The result of focusing on the middle-class gaze will instead be to generate another perspective on a place characterised, as are many other places in the contemporary world, by a highly fragmented vision.

NOTES

1 World Bank, *Trends in Developing Economies 1993*, Washington, DC: IBRD/ World Bank, 1993.
2 United Nations Development Programme, *Human Development Report 1992*, New York, Oxford: Oxford University Press, 1992.
3 Institute of Strategic and International Studies (ISIS) and Penang Development Corporation, *Penang Strategic Development Plan, 1991–2000* (final report to the state government), October 1991.
4 Indeed at the end of the period a number of such analyses appeared, apparently revelling in the fall of places like Malaysia as proof of the pertinence of their theories (see, for example, Jomo 1987; Bello and Rosenfeld 1990; Mehmet 1986; and Kunio 1986).
5 For an account of the colonial origins of the peasantry in Sumatra in similar circumstances see Kahn 1993.
6 See, for example, Rabinow 1992 for a Moroccan comparison, and Kahn 1993 for the Indonesian parallels.
7 A good example of this is the widely accepted judgement that the Malays were lazy (see Syed Hussein Alatas 1977).
8 In this sense Chatterjee's arguments about Indian nationalism as a discourse derivative of colonial ideology are also pertinent in the Malaysian context (see Chatterjee 1986).
9 See Jomo, 1994, chapter 3.
10 In fact the so-called New Economic Policy had two basic social goals, namely restructuring and the elimination of poverty. However, it has long been clear that the former was the main goal; the latter, it has been generally assumed, would follow on from economic growth (see Jomo 1994)
11 The beginnings of direct government control of the press, therefore, were less to do with a desire to restrict the expression of opinion in Malaysia and more with a desire to ensure Malaysian rather than foreign control of at least one of the country's major news organs.
12 In particular Aihwa Ong's widely cited analysis of this factory regime attained an almost cult status, especially in Western feminist circles (Ong 1987).
13 See Kamal Salih and Young 1989. See also Rajah Rasiah 1991; Fong 1989. The general conclusion that NIDL theory has consistently underestimated the extent to which, especially in Southeast Asia, the electronics industry has been and will continue to be able to upgrade to higher value-added and higher waged manufacture is supported by a recent study of TNC operations in Indonesia, Malaysia and Singapore by Ian Chalmers. See, for example, Ian Chalmers 1991.

14 In 1978 only 1.7 per cent and 9.6 per cent of workers in the electronics industry were classified as professional/managerial or technical/supervisory respectively, while 50.6 per cent were semi-skilled (workers with at least some technical training) and 38.1 per cent were unskilled. Between 1972 and 1980 the female/male ratio in the workforce was never less than 4 to 1 (Narayanan and Rasiah 1989: 6f.). In the early years of the industry wages were indeed low in relation to other industries, although by the late 1970s this was no longer the case. But 'while earnings of women in the electronics industry may be higher than in other domestic female-intensive industries, the intensity of the work required . . . may be considered a legitimate factor in arguing the remuneration was inadequate' (ibid.: 11).

15 Chalmers has once again confounded the assertions of NIDL theorists about the necessary absence of such linkages by demonstrating clearly the growth of a technologically sophisticated and largely locally owned and controlled SMI sector in Singapore (see Chalmers 1991).

16 This (domestics, restaurants, etc.) is one of the areas in which very low-wage immigrant, often illegal immigrant, labour plays a significant role. But low-wage/immigrant labourers are also significant in construction and in agriculture (in the latter case, not so much cultivation but land clearing and other labour-intensive tasks carried out by large-scale rural enterprise).

17 It is not certain that the distinction drawn by Saskia Sassen, among others, between high-wage producer services and low-wage consumer services is applicable in the Malaysian context (see Sassen 1991).

18 These arrangements were often called Ali-Baba businesses in which Ali (the Malay), a member of the traditional elite (civil service, royal family), did little more than smooth the way with government for Baba (the Chinese businessman).

19 Those who remain committed to the Schumpeterian image of entrepreneurship tend to cling to the misguided view that Malaysia is yet another example of an 'overseas Chinese' economic miracle. In fact 'traditional' Chinese business in contemporary Malaysia does not appear to be a major engine of economic growth. Successful Chinese businessmen, like their Malay counterparts, are those who have been able to mobilise political patronage and financial advantages in the same sort of ways (see, for example, Heng 1992 and Sieh 1992).

20 See, for example, Shamsul A.B. 1986, especially chapter 5. This work is based on fieldwork conducted in the early 1980s. All signs are that the situation described has consolidated itself in rural areas.

21 See, for example, Khoo 1992.

22 I am indebted to Clive Kessler and Noraini Othman for drawing this article to my attention.

23 As I have also suggested, work on the poor needs also to look at the very significant presence of overseas immigrants, especially illegal immigrants from Indonesia, Thailand, Indochina and Burma.

24 Here I am in substantial agreement with the position taken by Khoo Kay Jin (1992) who demonstrates clearly that Mahathir's authoritarian modernism (my term, not his) is perfectly consistent with his earlier position on the 'Malay dilemma', and that he was never a wholehearted supporter of the premises that led to the NEP.(For the more conventional view, see Shamsul,1988.)

25 Ian Chalmers has suggested that it is precisely this group, not a genuine 'national bourgeoisie' because of their links to foreign firms, that appears to be the focus for mounting opposition to Singapore's PAP regime (see Chalmers 1991).

26 I have discussed the conceptual issues involved in defining the Malaysian middle classes more closely elsewhere (see Kahn 1995).

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Indonesia

GENERAL

Land area	1,919,445 sq. km
Population (mid 1992)	184.3 million people
Nominal GDP (1992)	US$126,364 million
share of agriculture	19%
share of industry	40%
share of manufacturing	21%
share of services	40%
Average annual GDP growth rate (1980–1992)	5.7%
GDP per capita (1992)	US$686
GNP per capita (1992)	US$670
Monetisation level (broad money [M2] as % of GDP; 1992)	42.6%
Average annual growth rate of M2 (1980–1992)	26.3%
Central government budget surplus or deficit as % of GNP (1992)	+ 0.5%
Current account surplus or deficit (after official transfers; 1992)	– US$3,679 million
Merchandise trade surplus or deficit (1992)	+ US$6,535 million
Gross domestic savings as % of GDP (1992)	37%
Gross domestic investment as % of GDP (1992)	35%
Tax revenue as % of GNP (1991)	20%
Total external debt (1992)	US$84,385 million
Percentage of population of working age (15–64; 1990)	60.4%
Number of students in higher and university education (1990/91)	1.1 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US$2,730
Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1990)*	4.9
Percentage of urban population (1992)	32%

Total employment (1990)	75.9 million
of which professional, technical workers	3.7%
of which administrative, managerial workers	0.2%
of which clerical, sales, services workers	23.4%
of which agriculture, production, transport workers and equipment operators	62.7%
Gross tertiary enrolment ratio (1990)**	9.2
Life expectancy at birth (1992)	62.0 years
Population with access to safe water (1988)	51%
Total consumer expenditure (1992)†	US$64,166 million
share of food, drink and tobacco	53.4%
share of clothing and footwear	5.6%
share of housing and fuels	15.2%
share of household goods and services	8.0%
share of health	–
share of leisure and education	3.4%
Per capita energy use (oil equivalent; 1992)	303 kg
People per telephone (1989)	176.4
People per TV (1990)	16.3
People per doctor (1989)	6,956.4
Per capita consumption of beef (1991)	0.9 kg
Per capita consumption of poultry (1991)	1.4 kg
Per capita consumption of fish (1991)	13.2 kg
Per capita consumption of soft drinks (1992)	6.4 litres
Book titles published (1990)	1,518

Notes:
* Data refer to expenditure shares by fractiles of persons, ranked by per capita expenditure.
** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
† The percentage figures for consumer expenditure are on selected items only.

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4 The middle class and the bourgeoisie in Indonesia

Richard Robison

In the decades following Independence, the 1950s and 1960s, Indonesia's middle class and its bourgeoisie were both minute and without political and economic influence of any real substance. Apart from a small coterie of intellectuals and professionals, the middle class was confined within the sprawling, chaotic and poorly paid state bureaucracy. The bourgeoisie was similarly weak and fragmented. After the departure of the big Dutch trading houses and banks in the late 1950s, there remained only small and medium-scale traders and producers. Even the dominant Chinese element produced few figures or enterprises of national significance. Those who did achieve national prominence in the Soekarno period were dependent on access to politically derived rents and proved unable to survive the transition to the new-order government of President Soeharto in the mid 1960s. It was the state that became the leading force in investment and corporate ownership.[1]

In the mid 1990s the picture is quite different. The dramatic process of industrialisation that has occurred in the three decades of new-order rule has transformed the economy. The sheer size and scope of economic change has been extraordinary. Since 1979 the GDP has almost doubled in terms of current market prices. What is more remarkable is the internal structural change. Agriculture as a percentage of GDP declined from 53.9 per cent in 1960 to 19.5 per cent in 1991 while the share of manufacturing climbed from 8.4 per cent to 21.3 per cent in the same period.[2] Other features of industrialisation have included a strong growth in domestic and foreign investment, a shift from the public to the private sector and a move towards an outward-looking economy increasingly based on low-cost manufactured exports.[3]

The wealth generated by such industrial growth is symbolically manifest in the canyons of skyscrapers that now constitute the major arteries of Jakarta; Jalan Sudirman and Jalan Rasuna Said. That this wealth spreads beyond the corporate world and increasingly embraces a growing middle class is to be seen in a range of indicators.

Perhaps most immediately visible are the mushrooming new housing estates ranging from the comfortable to the luxurious, all replete with security guards and various forms of enclosure. These are complemented by increasing numbers of large, multistoreyed and air-conditioned shopping malls, springing up where only a decade ago the few supermarkets that existed were largely the preserve of a small expatriate colony.[4]

Evidence of increasing consumer spending is to be found in all sectors. The rapid growth of credit card use in the 1990s has been in response to increased demand for credit for low-cost retail purposes by a burgeoning middle class whereas in the 1980s cards had been the limited preserve of a rich elite.[5] The increasing crush of vehicles on Jakarta's roads has been serious enough to force the government into controversial measures to prevent the complete choking of the city's arteries, including the closing of the central city to private cars with less than three persons during peak hours. This is fed by sustained high levels of vehicle sales which, in 1990, stood at 275, 524. Although, with the credit squeeze of the early 1990s, this figure dropped to 263,073 in 1991 and 171,865 in 1992, it has since begun to climb back again.[6]

Increasing wealth has also generated a demand for quality urban housing. Whereas in 1985 a total of only 753 apartments were built, by 1992 this figure had risen to 8,427 and the rate of construction in this field is accelerating. These are not low-cost housing ventures but are intended for the middle class and corporate market. Prices generally range from Rp. 200 million (US$100,000) to Rp. 1 billion (US$500,000) and upwards.[7]

These changes clearly indicate the rapid growth of two important new social forces: a capital-owning class and a middle class. However, the task of this chapter is not to endlessly catalogue the evidence of consumerism and rising incomes but to identify the internal structure of these new classes and to raise some of the implications of their emergence for broader aspects of Indonesian political and social life.

While the bourgeoisie, petty bourgeoisie and middle class may possess certain universal interests and characteristics which are constant in their world-view and their political action, their social and political role has varied from one historical situation to another. What is crucial is the wider environment of social and political power in which they emerge and which sets opportunities and constraints on the sort of alliances that they are able to pursue.

An important aspect of Indonesia's social structure has been the absence of a large landowning class. No great landed families exist, as they did in much of Europe and Latin America, to dominate culture and politics and to

form alliances with bureaucrats and the rising bourgeoisie. The powerful stratum of state bureaucrats which has politically dominated Indonesia's transition to industrialisation has not been a mere component in a conservative and oligarchic form of political rule. Nor have the state officials been cast in the Meiji or Bismarckian model, as a corps of officials very much subordinated to legal–rational constraints and frameworks along the lines of the Weberian model of rational bureaucratic authority. Instead, they have emerged in a social vacuum as a discrete political stratum and, in many cases, are the appropriators of the state apparatus.

Unlike the situation in England or France where the absolutist states constrained capitalist development, the state in Indonesia has nurtured it. The middle classes and bourgeoisie have been heavily dependent upon the state for jobs, careers, contracts and monopolies and, more broadly, as the engine of economic growth. Hence they have been reluctant to upset the balance of power and the ascendancy of the stratum of politico-bureaucrats.

In other words, the middle class and the bourgeoisie have not yet established their ascendancy as socially dominant forces autonomous of the state. They still require the financial resources and coercive powers of the state to preserve the social order. Whereas it was the bourgeoisie and middle classes that played a central role in the liberal transformations of Britain and North America, in Indonesia the very social and political environment in which they are located has prompted different strategies. The strength of the revolutionary left in the years to 1965 and the simmering potential of Islamic fundamentalism has driven them into the arms of an authoritarian secular state and the forces of political conservatism.

Clearly, the simple equation of bourgeois capitalism and democracy is a difficult one to sustain. As Barrington Moore and others have argued, the British and North American historical experience has proven to be only one route to capitalist industrialisation.[8] It has been widely recognised by both Marxists and liberals that industrial capitalism is not always driven by a liberal bourgeoisie or middle class. In cases where these forces are weak and fragmented, it may be ushered in by the state. Yet authoritarian regimes, while they may provide an incubator for industrial capitalism, are ultimately regarded as transitory. In the long term, it is generally assumed that a bourgeoisie and a middle class will establish a domain of power in civil society, autonomous of the state, which will eventually subordinate the state to its interests and make accountable its corps of officials.[9] For many observers, Indonesia is at a stage where the state and its corps of officials have almost played out their historical role.

THE INDONESIAN STATE AND ITS STRATUM OF BUREAUCRATS

The position of the middle classes and the bourgeoisie in Indonesia must be understood in the context of the central role played by the state and its stratum of bureaucrats in Indonesian history. State dominance extended from the centralised agrarian bureaucracies of pre-colonial Java to the colonial regime established by the Dutch to oversee their plantation-based empire from the mid-nineteenth to the mid-twentieth century.[10] Given the weak and fragmented nature of civil society in the immediate post-colonial period, the structure of political power quickly gravitated again towards authoritarian rule under Soekarno and then Soeharto.

While the transition to industrial capitalism and the emergence of a bourgeoisie which occurred under the New Order were expected to fundamentally challenge the predominant political position of this stratum of state officials, their economic and political power has, in important ways, actually been reinforced. The accumulation of investment capital within Indonesia has, until recently, been derived very largely from oil taxes and foreign loans channelled into Indonesia through the state. Consequently, it has been the state managers and those who politically control the terminals of economic decision-making who have had the power to allocate these resources and determine priorities. Middle-class and domestic capitalists have continued to be dependent upon the state as the engine of employment and investment.[11]

The institutional apparatus for investing and allocating this wealth has also been in the possession of the state which continued to exercise a tight control over the banking system until the late 1980s and still maintains a substantial grip on the commanding heights of the economy through such corporate enterprises as Pertamina (oil), Krakatau (steel) and PLN (electricity). Pertamina in particular has been the focal point in the generation of major industrial projects of the past decade, including oil refineries and petrochemical plants.

This economic autonomy has meant that many of those who control public office, both political and bureaucratic, have been able to appropriate the offices of the state apparatus and in their own right exercise authority over the allocation of resources and access. The unaccountable nature of this authority has been legitimised in the state ideology which stresses the organic nature of society and the role of officials as pursuing the 'common good' and the 'national interest' over and above the forces of particularist, vested interest.[12] Control of the source of patronage and investment capital has been reinforced with effective corporatist political institutions established to co-opt, confine and contain the political and ideological activities of social forces.[13]

Nevertheless, there is some erosion of the state's absolute monopoly of political and economic power and of the authority exercised by elements of its stratum of politico-bureaucrats. This process has accelerated since the fall of oil prices in 1982 and 1986 and the resulting increased reliance on private sector investment. Combined with the need to raise non-oil revenue and establish non-oil foreign earnings is the more recent pressure to become internationally competitive, meaning greater integration into the international economy. Deregulation of the financial sector, the ending of state monopolies in lucrative sectors including banking, television, airlines and public utilities has facilitated a dramatic growth of private corporate capital in the last five years. Together with the influx of foreign investment following relaxation of controls in the late 1980s, this growth in private sector activity has shifted the focus of investment from the state to the private sector and greatly expanded employment opportunities outside the state for skilled managerial, sales and technical staff.

These economic changes have also resulted in structural pressures to regularise the economic role of the state which serve further to undermine the ascendancy of the bureaucrats. No example of this process is more stark than the recent state bank scandals, of which the case of the State Development Bank, Bapindo, is the most spectacular. It reveals the collusion of unaccountable officials and business associates in the use of state banks as conduits for channelling state funds into dubious projects and for use often unrelated to the stated purposes. Given the increasing fiscal pressures on the state budget and the declining oil and gas revenues, state banks are now likely to undergo reforms (indeed these are beginning to be implemented), thereby removing yet another source of rents and threatening to impose greater accountability on officials.[14]

Perhaps the most important factor potentially transforming the nature of the state and the politico-bureaucrats lies, not in external challenge, but in their own changing social character. From the president down to the regional and local administrative chiefs, into the small towns and villages, the families of officials are becoming involved in business based upon their political control of rents. This social power may well evaporate as their grip on political rents ends when office is relinquished. On the other hand there is some evidence that wealth and political influence can survive over time; in other words, that a new class of notables is being formed among which the families of retired officials and political leaders are prominent and who are maintaining the wealth built originally upon rents.[15]

Another important development has been that the state has lost control of some important policy agendas. By attempting to ignore and refusing to deal seriously with politically unpalatable but nevertheless important new

issues within its supposedly all-encompassing corporatist structures the state has allowed room for institutions and expertise outside its apparatus to take the lead. This has resulted in rapid expansion of non-governmental organisations (NGOs) in areas such as legal aid and human rights, environmental matters, community development and social research. Often receiving foreign funding, especially from Western European foundations, NGOs now employ many highly qualified younger generation lawyers, economists, managers, researchers and organisers.

The question is whether these structural and social developments will release the grip of the state and allow the emerging bourgeoisie and middle classes to establish a domain of power that is based in society and that may transform the system of corporatist authoritarianism. While the erosion of the state is important in the resolution of this question, much depends upon the way in which the development of classes proceeds.

THE MIDDLE CLASS

Studies of the Indonesian middle class are in their infancy both in terms of theorising this social category in its Indonesian context and assembling a systematic and comprehensive set of data to support any wide-ranging quantitative conclusions. Most demographic studies have tended to focus on such factors as urbanisation, regional mobility, changing age structures and family planning rather than class structure although there has been extensive work done on the industrial labour force.[16]

The most recent census data reveals that the categories 'professional and technical' and 'managers and administrators' constituted 3.9 per cent of the population in 1990, having risen from 2.6 per cent in 1971 and 3.0 per cent in 1980. This means a professional and managerial middle class of around 7.5 million. In Jakarta, the percentages are much higher – from 6.03 per cent of the population in 1971 to 8.39 per cent in 1990.[17] This excludes the category of 'sales' which would cover the large petty bourgeoisie.

The middle class has been of recent and considerable interest to Indonesian newspapers and magazines. Appealing primarily to middle-class readers, they have tended to focus on self-congratulatory stories of hard work and talent (see especially the journal *Eksekutif*), or morally disapproving stories of excess and selfishness. Scholarly attention has tended to take the North American path of attitudinal surveys and observations about the lifestyles and values of the emerging middle classes, focusing particularly upon the gross materialism of the yuppie culture.[18]

Underlying the interest of the press in the new middle classes is the question of their impact on Indonesian society and culture. Will they create

a greedier and more individualistic Indonesia or a more concerned and democratic society? Do they want rule of law, civil rights and freedom of speech and the accountability and transparency of government and the bureaucracy? Or will they support any regime that protects their newfound prosperity?

The conclusions are pessimistic. It is generally agreed that the traditional middle-class concern for social justice, human rights and democracy has been replaced by a concern for career ambitions and the cultivation of a materialist lifestyle. The new middle classes, it is argued, are prepared to fight only for narrow personal interest and not abstract ideals. This is not surprising, according to many of the commentators, given that the middle class is the creation of the state and sees its opportunities in terms of improving its position within the channels of state institutions and within the confines of its ideology.[19]

The shortcoming of this popular attention is that it seeks dramatic conclusions: a society threatened by greed and selfishness, and consequently focuses on only a small and extreme category of the middle classes. In reality, the Indonesian middle class consists of a wide range of sub-elements from wealthy, urban managers and professionals to lower-level clerks and teachers in the regions and small towns, often with a strong connection to local *ulama*. Consequently, the middle class has produced not only yuppies but secular liberal reformers, supporters of authoritarian corporatism and rural populists.

Roberts, whose work was outlined in the introduction to this book, was able to make his categorisations of the internal structure of the middle class on the basis of the way in which elements of the middle class behaved over time and the roles they tended to play in political life in Europe. Under the New Order there have not been the instances of disintegration and turmoil that drew the middle classes into the political cauldron in Europe of the 1920s and 1930s. On the contrary, the long period of political order and the tight control of political organisations and information in post-1965 Indonesia have meant that we have fewer insights into the interests, motives and passions of the Indonesian middle class.

THE UPPER MIDDLE CLASSES

Perhaps the major insight into the position and priorities of the middle classes has been offered by the dislocation, confusion and jostling for power that followed the overthrow of Soekarno in 1965 and the entrenchment of the New Order in the following decade. The student movements, largely upper middle class in that period, clearly indicated their primary

concern that the social order should not be overtaken by radical and revolutionary change. They were virulently anti-communist movements with little attachment to the bureaucratic populism of the Partai Komunis Indonesia (PKI – Indonesian Communist Party) and might be best described as a mixture of social democrats and liberals. Many of these students, the so-called 1966 generation, now occupy senior positions in the new-order civilian hierarchy. Similarly, business and the small but influential body of intellectuals formerly associated with the defunct Indonesian Socialist Party (PSI) supported the military takeover, the replacement of Soekarno and the elimination of the PKI, although not necessarily the brutality with which the counterrevolution was prosecuted.

These early middle-class allies of the regime have generally thrived – even those professional and managerial elements outside the state are very aware of the material benefits that they have enjoyed as a consequence of economic growth under the aegis of the New Order. There is a deep fear that this could be jeopardised if the regime were unravelled. Further, there is a widespread concern that social chaos may result from the weakening of the coercive power of the state. Their fear of disorder is expressed most visibly in the burgeoning middle-class housing estates complete with boom gates and security guards. It should also be remembered that the middle and upper middle classes were initially broadly supportive of the programme of state-sponsored arbitrary killings of criminals in the early 1980s.

It can be said that important elements of the Indonesian upper middle class have been quintessentially conservative, allied to the regime and to the social order that it has nurtured. While no representative political system has emerged, the rise of political entrepreneurs from the upper middle classes has been facilitated by Golkar, the state party, and the more recently formed Muslim Intellectuals Association (ICMI). These have provided both patronage and the mechanisms for several successful political careers. Yet, for all their apprehensions about the alternatives to the New Order, the alliance of the middle-class elements with the Soeharto state, the guardian of this order, has not been an entirely comfortable one.

There is another dimension of the upper middle-class perspective: a widespread resentment of the arbitrary and intrusive nature of the regime, the pervasiveness of corruption and the arrogance of officials. This perspective has sustained a tradition of liberal reformism in Indonesian politics which stretches back into the 1950s. Contemporary reformist student groups, NGOs and political associations like the Forum Demokrasi and the Petisi Limahpuluh group are comprised of individuals who are predominantly upper middle class. Their demands are focused on issues of rule of law, human rights, accountability of officials and freedom of expression.

Student groups have become active in recent years in cooperating with farmers' organisations in protesting against land seizures by the government and wealthy speculators. The Forum Demokrasi and the Petisi 50 group have persistently raised embarrassing questions about the succession, the powers of the president and of parliament.[20]

While it may be true that reformist voices and perspectives exist, their political effectiveness has been limited. The clampdown on the campuses following the student criticisms of the 1970s was extremely effective. Without legitimate avenues for protest, reformist student movements in the decade after 1978 found their options curtailed. Political study groups flourished in the absence of opportunities for action.

It is little wonder that middle-class reformers have made such limited political progress in the past forty years. Internally divided, dependent upon the state and fearful of social and economic chaos, they have been largely immobilised. The general expectation that middle classes represent sources of social power and wealth independent of the state and are therefore concerned with limiting its power and imposing accountability has not generally applied – at least not yet – in Indonesia. Nor should it be forgotten that their ineffectiveness is also the result of an extremely efficient process of institution-building which has forced political and ideological activity into structures defined and controlled by the state and imposed a depoliticisation of civil society.

While membership of the parliament, or the approved political parties,[21] may guarantee for middle-class reformers a degree of tolerance and protection, in the last analysis these institutions are not vehicles capable of delivering real power. Within the current political system neither parliament nor parties determine policy or control the executive of the state. Indeed, as well as being vehicles that facilitate some degree of criticism, they also serve to legitimise the regime. This is the dilemma that confronts reformers.

It is this very point that has concerned middle-class Muslim political leaders. In 1991 the government sponsored the formation of the Muslim Intellectuals Association (ICMI), whose membership includes leading Muslims from the bureaucracy, academia and business. Soeharto gave ICMI his blessing, thereby securing its financial future and affording it a profile and degree of security that it could not get otherwise. These benefits, however, had their price. The original leadership was pushed aside for the Minister of Research and Technology, Habibie. One of ICMI's inescapable functions then became that of legitimising the state to the Muslim community.[22]

Other professional organisations have been similarly colonised: the journalists' association, PWI, and the lawyers' association, Ikadin. In part the inability to resist successfully derives from the fact that a large proportion of

the middle class is embraced by the state as employees or is dependent upon state resources such as consultancies, access to information, licences and accreditation. The huge mass of civil servants is incorporated into various state front organisations such as KORPRI, which monitor ideological adherence to the precepts of the organic and corporatist state, including the proposition that the state embodies society, expresses the common will and protects the 'national' interest – hardly a liberal world-view.

However, the reformist potential of the upper middle class extends beyond its capacity to organise. The public discourse of the press is overwhelmingly liberal and reformist in nature – a shock to Western observers so used to the pre-eminence of political conservatism and rational economics in their own media. Most important, though, are the everyday demands that the middle class in general place on the state: the demand for efficiency in service, whether it be in the supply of electricity or education, the demands for standards in a range of areas from building codes to medical practice. These all require accountability, if not democratic reform. By simply being there and being necessary to the operation of the increasingly complex industrial economy, the middle classes shape the choices made by officials and undermine their autonomy.

THE POPULIST LOWER MIDDLE CLASSES

A much-neglected and underresearched category of the middle class is that sprawling mass of clerks, teachers and lower-level civil servants which often intersects with the petty bourgeoisie and, in the countryside, with the smaller landowning families. This army of minor officials and private sector clerks has proliferated with the development of modern capitalist society. There has been a general historical tendency for the lower middle class and the petty bourgeoisie to be associated with populist and ultra-nationalist politics and to become involved in political alliances with reactionary religious groups, and even workers and peasants. The fundamentalist Muslim movements of Iran, Egypt and Algeria have exhibited precisely these characteristics.[23]

In Indonesian political history, both conservative and radical populist movements including the former communist party, PKI, have drawn heavily on lower middle-class intellectuals for leadership. A most interesting recent development has been the transformation of student movements from liberal, upper middle-class movements to ones more heavily dominated by lower middle-class youth less satisfied with demanding accountability and liberal reform and becoming involved in the politics of labour and landownership – issues that go to the heart of the structure of social

power.[24] Anecdotal evidence would also suggest that it is these lower middle-class students who are being hit hardest by growing unemployment and underemployment among graduates.

The point to be made here is that the middle classes and political and ideological liberalism do not necessarily go together. While middle classes in general may arguably possess a common interest in establishing the sort of regulatory framework that protects their interests from those who hold power in other forms – capital and bureaucratic office – the political role of its composite elements may differ according to the relationships formed with other social forces. While highly paid urban corporate managers may logically seek alliances with the big bourgeoisie, the rural lower middle classes may be forced into alliances with the petty bourgeoisie or with a populist military.

THE BOURGEOISIE

It is quite clear that in the past decade the dominance formerly enjoyed by the state as the source of domestic investment capital formation has shifted dramatically to the private sector. This development is largely due to the decline of oil revenues which forced the state to look to both domestic and foreign private sources for new capital investment. The crisis in the balance of trade and the mobilisation of investment capital led to a series of reforms beginning in 1986 which dismantled trade barriers, deregulated the banking sector and removed many of the controls on foreign investment. While foreign investment surged, domestic investment grew at an even greater rate. Domestic conglomerates, now with their own rapidly expanding banks, extended their operations into finance, services and, increasingly, into large industrial projects as well as internationalising their operations.[25] The increased importance of manufactured exports led to a new surge of private investment in textiles, plywood, electronics and processed foodstuffs. Private investors also began to take over areas previously monopolised by the state: public utilities, air transport, road construction and television.

However, any expectations that this surge in the economic power of private capital would result in a sudden shift towards the political and economic institutions and ideologies of liberalism as a triumphant bourgeoisie established its hegemony in the political and ideological spheres proved to be misplaced. The growing strength of the bourgeoisie was to sustain a reorganised *dirigisme* and to continue to underpin the integralist corporatism of the state. The reason for this is to be found in the origins of the various elements of the Indonesian bourgeoisie and the nature of their relationship to the state. Like the middle class, the bourgeoisie is internally fractured and varied in the ideological and political stances that it takes.

THE INDIGENOUS PETTY BOURGEOISIE

Medium and small business in Indonesia has long considered itself to be the primary victim of Chinese and international capitalist domination of Indonesia. This siege mentality seems to be a universal feature of the petty bourgeoisie, typically Poujadist in its populism, its nationalism and its generally xenophobic outlook. It is true, in the Indonesian case, that many of the industries (notably textiles, foodstuffs and beverages) and trading networks that they formerly dominated have been usurped by larger corporate groups and translated into the world of big business. Nevertheless, the political impact of the petty bourgeoisie has been constant and, at times, influential largely because they have been able to mobilise the sensitive issues of nationalism, race and religion as well as the populist regional and local suspicions of the centre. Although eclipsed by the larger corporate conglomerates in terms of the scope and size of operations and in terms of the power to set economic agendas, the petty bourgeoisie have not only persisted but flourished in the context of growth. As Howard Dick and Ken Young have shown, they remain important components of the growing regional and village economies.[26]

Colonialism left an economy dominated by the export of agricultural products in which the Dutch dominated the large estates, banks and trading houses, leaving petty trade and commodity production to domestic entrepreneurs. With the ending of colonialism, the indigenous element of the petty bourgeoisie expected to assume the dominant position in Indonesian capitalism but found the running taken instead by larger Chinese groups, state enterprises and state managers of capital, and foreign corporate capital, especially in the New Order period.

Hence, we find that the indigenous petty bourgeoisie has tended to take extremely nationalist, populist and often xenophobic positions in the ideological debate. There have, however, been characteristics specific to the Indonesian context. First, it is an approach usually appealing to an attachment to Islamic religion and, closely associated, to anti-Chinese sentiment. Second, the populism of the indigenous Indonesian petty bourgeoisie has been unable to mobilise the iconoclastic hostility to big government often associated with counterpart movements in the European tradition. It has not called for small government or no government. On the contrary, its political activity has taken the form of a constant appeal for protection and favour from big government and criticism of the government for its failure to deliver. If we look back over the triumphs of the petty bourgeoisie they have come with interventionist legislation: trade monopolies in the 1950s; requirements in the 1970s that Chinese business groups allocate equity

participation to small (i.e. indigenous) business and that banks favour indigenous investors in credit; preferential allocation of small government contracts in the 1980s.[27]

A further difficulty for the petty bourgeoisie has been its lack of success in mobilising allies. A populist alliance with workers, peasants and the lower middle class in the period 1912–1926 ended in disaster when the popular wing departed from the Poujadist ideals and took a more revolutionary direction, resulting in a split in the alliance. Since then, petty bourgeois populism has remained strongly Islamic in appeal and virulently opposed to mass political movements. At the other end of the spectrum the petty bourgeoisie has remained equally alienated from the stratum of politico-bureaucrats which controlled the state and which derived from a tradition of state service and not from business.

A most important recent development, noted by Ken Young,[28] is that the village petty bourgeoisie increasingly relies upon resources and projects funded by the state to sustain its enterprises. Consequently, it is Golkar and the various corporatist front organisations that are now the channels for favour and patronage. So long tied to the Islamic parties, the Muslim petty bourgeoisie is being incorporated into the apparatus of the state, a process accelerated by the vigorous wooing of the Muslim community by Soeharto. Further, the linkages between middle bureaucrats, local entrepreneurs and landowners are becoming more complex and extensive, dragging them deeper into the state project.

THE BIG BOURGEOISIE: THE CHINESE CONGLOMERATES

While there were isolated examples of domestic capitalists developing extended corporate groups in the 1950s and 1960s, these usually revolved around trade and were, in any case, much smaller than the major corporations in the state sector. It was not until the 1970s that we began to see identifiable, large private corporate groups emerging. They were to do so on the basis of state-allocated concessions, licences, contracts and credit. Forestry concessions and trade monopolies were usually the basis for their development but other terminals existed in manufacture, for example Liem Sioe Liong's lucrative flour-milling monopoly. In the 1980s the growth of these groups was enhanced by their access to oil-funded industrial projects as contractors and suppliers.[29]

These new corporate capitalists have done little to challenge the ideology of the organic state or to dismantle the structures of political corporatism or economic *dirigisme*. This is partly because the most important of them are Chinese and therefore occupy a very vulnerable position in

Indonesian society. They naturally prefer to take a low profile and develop their political influence through personal links with officials and political figures, and to rely on their economic indispensability and the structural veto power that this embodies, rather than organise publicly on behalf of their common class interests. In this way many of the larger groups, including those of Liem Sioe Liong, Bob Hasan and Prajogo, continue to do well under authoritarian *dirigisme*, obtaining access to state bank credit on a quite massive scale given the credit squeeze which should have choked this source, maintaining and extending huge forestry concessions, and dominating the large infrastructure and upstream manufacturing projects which have become the latest currency of corporate expansion.[30]

It is important to note, however, that other Chinese-owned conglomerates have serious difficulties with the structures of *dirigisme* and the way in which state officials exercised an unaccountable authority over public office. Downstream exporters of manufactures, for example, found that corruption and ineptitude in the customs service was adding to the cost of their products and threatening their international competitiveness. Because of the need to replace oil exports with non-oil sources of foreign income, the state undertook unprecedented reforms of its own apparatus on the waterfront of Jakarta.[31] The interests of the downstream export producers prevailed, not because they exercised any instrumental control over the state and its officials but because the collapse of oil prices had made non-oil exports a priority sector.

More recently a most interesting struggle between a company owned by the president's youngest son, Tommy, and major Chinese cigarette manufacturers has illustrated important contradictions between mercantilist, rent-seeking activities involving politico-bureaucrat power and the interests of important sectors of corporate capital. The source of the conflict is the monopoly over clove marketing granted to Tommy which had the initial effect of forcing prices to almost double their previous levels. Tensions rose as the cigarette companies refused to buy cloves and the government increased its pressure upon them as the stockpile rapidly expanded. The resistance of the cigarette companies was orchestrated through the producers' association, GARPRI, with an impressive degree of cohesion and doggedness in the face of extremely powerful adversaries.[32]

The issue was taken up with relish by the press and critics of the government in parliament. While the companies were, in the end, forced to relent and purchase the cloves, the monopoly company itself was forced to withdraw from the industry, handing control over to cooperatives.

There is little doubt that the position of the big Chinese conglomerates in relation to the state and the centres of political power is changing. Moves that have the effect of insulating them from the potential upheavals that

may accompany the transition from Soeharto include increasing offshore investment, particularly in China, and the listing of companies on the Stock Exchange.[33]

THE LARGER INDIGENOUS CAPITALISTS

The indigenous bourgeoisie, on the other hand, presents a potentially different picture. In business terms it has not been as prominent as the Chinese who have been better able to create and utilise effective credit and distribution networks. Politically it is not constrained from the public sphere and has organised politically in its own interest to some extent. Business associations such as Kadin (the Indonesian Chamber of Commerce), Hipmi (the Association of Young Indonesian Businessmen) and Hippi (the Association of Indigenous Businesspersons) are almost exclusively indigenous institutions and have acted as vehicles for political and ideological debate often critical of prevailing policy and relationships between state and business. Leading indigenous business figures have entered party politics, not only into the state party, Golkar, but into the opposition PDI. Most important, the largest indigenous corporate conglomerates, including Bimantara and Humpus, constitute a new and strategic amalgam of political power, bureaucratic authority and corporate wealth among the most powerful families.

Although this may indicate, on the surface, a vigorous and independent bourgeoisie, the truth is that while indigenous capital may have greater freedom to make political statements, economically it is more dependent on the state. While a very few indigenous capitalists have been able to develop large corporate structures relatively independently of the state machine, notably in the media industry, this is not true for the majority. In the last analysis, the bulk of these indigenous corporate capitalists have little option other than sheltering under the umbrella of the *dirigiste* and organic state.

A large number of the major indigenous business groups developed in the early 1970s through access to contracts for construction and supply offered by the state oil company, Pertamina. Its president director, Ibnu Sutowo, had strong economic nationalist views which included a belief that the state should assist in the development of an indigenous capitalist class. In the early 1970s several indigenous capitalists, including Aburizal Bakrie, Fahmi Idris, Pontjo Sutowo and Siswono Judohusodo, were able to gain access to Pertamina contracts for supply and construction. The discovery of Pertamina debts of US$10 billion in 1975 and the subsequent attempts to regularise Pertamina led to the dismissal of Sutowo and difficulties for many of the indigenous clients.[34]

This setback was not long-lasting. With the continuing surge of oil prices the state was able to continue its intervention both as an investor and in setting policy agendas constraining foreign investment and promoting the development of a broad industrial base of capital and intermediate industries. Sutowo's economic nationalist mantle was assumed by the Department of Industry and, in the 1980s, the State Secretariat (Sekneg). Sekneg, under State Secretary Sudharmono, was engaged in a political struggle with Ali Moertopo's OPSUS group, an organisation closely associated with Chinese capital. Sudharmono was more than willing, in this context, to assume the nationalist mantle and gave the strong advocate of indigenous business, Ginanjar Kartasasmita, his head. Under the terms of legislation introduced in 1980, Keppres 10 and 14a, Sekneg was to control the allocation of government contracts for construction and supply, and to ensure that indigenous business obtained the prescribed privileged access to these.[35]

Once again it was the business groups that had formerly been suppliers and contractors for Pertamina which were to become suppliers and contractors through the Keppres schemes. The most prominent of these were Pontjo Sutowo, Fadel Mohamed, Fahmi Idris, Siswono Judo Husodo, Aburizal Bakrie and Imam Taufik.

With the deregulationary moves after 1986 and the ending of Keppres 10 and 14a in 1988, many of these businessmen once again found themselves struggling to compete with the large Chinese conglomerates and the family groups for contracts and projects. However, a liberal challenge to the *dirigiste*, corporatist state was not an option. What corporate ascendancy they held was ultimately reliant on access to state favour and protection and their only path was to try to convince the state to increase this.

Increasing numbers of indigenous businessmen became members of the state political party, Golkar, and two became ministers in the 1988 Cabinet, including the building contractor and property developer Siswono as Minister of Housing. Golkar was also to look increasingly to business, including indigenous business, for its funding. However, it was not to become a bourgeois party, remaining firmly a part of the corporatist state structures, mobilising support and providing an avenue into the regime and its resources of power and patronage. Golkar was not intended as a policy instrument and indeed the parliamentary arena provided little opportunity for policy debates. While it is true that some industry associations have become active in lobbying for policy changes, as noted by MacIntyre, business associations have not become representative institutions of class interest. Kadin enjoys government-imposed monopoly status and tends to operate as an arm of the state apparatus for registering and coordinating

business despite the occasional passionate outbursts from regional associations protesting against rapacious bureaucrats and market control by the conglomerates. Hipmi is an organisation dominated by well-connected indigenous businessmen and is generally regarded as being a mechanism for organising and allocating 'facilities'.[36]

Indigenous business has been able to exploit and benefit from the government's general sensitivity to anti-Chinese and anti-conglomerate sentiment. Recently the government has been anxious to mollify the increasing public disquiet at the rapid growth of Chinese conglomerates. In 1990, the Bank of Indonesia instructed all banks to channel 20 per cent of their loan portfolios to small business. Industry Minister Hartato was to introduce a linkage programme in which small firms were to act as distributors and suppliers to larger firms. This idea was taken up by the business organisation Hipmi which made independent arrangements with several major Chinese conglomerates for a series of joint ventures between themselves and selected indigenous businessmen from Hipmi.[37] Clearly there was no advantage to the conglomerates to enter such arrangements when they needed neither the capital, expertise nor organisations of their indigenous 'partners'. The ventures had no apparent motive other than to secure goodwill for the conglomerates and to take some pressure off the government.

Perhaps the most instructive success for the indigenous client capitalists came in July 1991. The years 1989 and 1990 had seen a phenomenal explosion in the amount of investment in major industrial and infrastructure projects. By the end of 1991, planned projects totalled US$78 billion and although many of these have been rescheduled in the wake of a growing debt crisis, they still represent substantial commitments. Much of the funds was supplied by the increasingly indebted state banks, including widely publicised loans to the well-connected businessman Prajogo, for an olefin plant and a forestry project. The inability of indigenous groups to secure credit was compounded when a syndicate of prominent indigenous capitalists and their foreign partners competing for the lucrative olefin project lost out to a syndicate comprising Liem, Prajogo and one of the Soeharto children. A direct approach to the president by a group of seventeen indigenous capitalists, most of whom were associated with Hipmi, appeared to bear dividends and reliable reports indicate that several indigenous business groups were to get loans at favourable rates of interest to enable them to participate in the scramble for projects.[38]

The point to emerge from all this is that these indigenous capitalists have little option other than to seek their economic and social interests within the *dirigiste* and corporatist structures of the state, not by challenging them.

'THE FAMILY'

The general reliance of the indigenous bourgeoisie upon the *dirigiste*, rent-seeking state is underlined when the origins and basis of its most important indigenous component is considered. These are the business groups that are associated with the Soeharto family. Essentially they comprise the groups of the children, Bambang, Hutomo Mandala Putra (Tommy), Sigit and Siti Rukmana Hadiyanti, as well as other relatives, including Sudwikatmono and Probosutejo. These business groups embrace banking, trade, transportation, television, construction, manufacturing, automotives, telecommunications, pharmaceuticals and agribusiness.[39]

The secrets of their success include a remarkable access to trade monopolies, credit from state banks, contracts for supply and construction and entry into newly deregulated state monopolies such as television. A second essential ingredient is their entry into joint ventures with the largest Chinese corporate conglomerates. The question is whether they represent a metamorphosis of the politico-bureaucrat into capitalist or whether they are simply rent-seekers in a transitory phase of booty capitalism.

If it is a metamorphosis, this brings certain contradictions between their interests as capitalists and their interests in maintaining the dominance of a *dirigiste*, neo-patrimonial state. One of the most interesting examples is in the sphere of public information. The establishment of private television by companies under the control of Soeharto family members juxtaposes the commercial attractiveness of American programmes with their perceived corrosive effect on the ideals of corporatist authoritarianism. It is also noteworthy that one of the most interesting and provocative newspapers, *Media Indonesia*, is associated with the family.

However, the major question raised is whether the Soeharto family can proceed to the stage where their capital base and their corporate structures are able to survive and expand independently of the authority of a *dirigiste* state and their direct control of that most important public office, the presidency. Are they, in other words, the embryonic bourgeoisie? If so, we may expect a transition in the relationship between these groups and the state as their expansion begins to rely more on the normal processes of capital accumulation and less on the favour of political power and as they begin to prepare for the post-Soeharto era where they will not be able to call upon this power.

There is little evidence of a process of transition. Despite the highly publicised and much repeated claims of these family members to be genuine entrepreneurs and to have built their corporate empires upon resources of capital and good management, they clearly continue to rely

heavily upon bestowed monopolies, state credit and a willingness by major national and international conglomerates to bring them on board as equity shareholders in a way that is hard to explain in terms of normal commercial calculations. Nor has there been any attempt to transform the nature of their relationship with the state by constructing, for example, a party of the powerful and wealthy through which they might control a capitalist republic in the post-Soeharto era.

CONCLUSION

The picture presented here is that of rapid growth of a domestic middle class and a bourgeoisie which is, in large part, unable to translate its increasing wealth, skills and economic base into an independent domain of social and economic power to impose accountability upon the state and its officials. Overall, the state continues to be the fountain of social and economic power and success depends upon gaining access to this flow. Those who wield state power and bureaucratic authority continue to be the pivotal group. Nevertheless, there are cracks in the empire.

The increasing internationalisation of the Indonesian economy, its greater reliance on foreign loans and investment, has made the state more susceptible to the demands of international investors to an increasing range of reforms to the state apparatus involving greater accountability and transparency. Deregulation has brought a greater need for regularisation in sectors such as banking and, most significantly, the capital market, which implies an increasing legal basis for state–capital relations and greater transparency in its operations.

Most important, the succession question addresses a critical watershed in Indonesian political life. It is highly unlikely that the degree to which power is now concentrated in the hands of the president will be sustained after the departure of Soeharto, even if we are looking a decade into the future. Even the expectation of this change is producing dialogue and alliances, however opportunist, as contending groups are drawn in to ensure their interests as the uncertainties of the future unfold. Political liberals are attaching themselves to the forces of economic reform, forces that threaten the very heart of the state's patronage networks. Powerful sections of the military are allied with sections of the reformist middle class, setting in train a possible set of events that may go far beyond their intentions.

While reformers such as Abdurrahman Wahid of Forum Democracy and the human rights lawyer Mulya Lubis are confident that a transition to democratic structures will be viable, many sectors of the middle classes and bourgeoisie are less certain. The predominant fear is that a retreat from

authoritarianism will allow instability. Nevertheless there is broad support at least for a shift towards a more legal–rational authoritarianism presiding over a free-market economy which would involve accountability of state officials and transparency of procedures. This is certainly the direction that international capital is moving towards and one that is increasingly difficult for Indonesia to resist as its incorporation into the world economy proceeds.

These are the questions that will be hammered out over the next decade. The importance of the new middle classes and capitalists is that they constitute a new social context in which the formulation must be made. It is particularly significant that Indonesia's authoritarian corporatism has spawned a commercial, capitalist press rather than a state-owned press. While the state does exert controls, it confronts not simply idealistic individuals but large corporate conglomerates driven by commercial calculations in their resistance to these controls.[40] The solutions of 1965, where the domain of civil society was poorly formed, are not possible in the 1990s. While the new middle and capital-owning classes may not control the agenda, the outcomes must accommodate them.

NOTES

1 R. Robison, *Indonesia: The Rise of Capital*, Sydney: Allen & Unwin, 1986, chs 1–3.

2 World Bank, *Indonesia: Sustaining Development*, Report No. 11737-IND, Jakarta, 25 May 1992, 177, table 2.5; Anne Booth (ed.), *The Oil Boom and After: Indonesian Economic Policy and Performance in the Soeharto Era*, Singapore: Oxford University Press, 1992, 2, table 1.1.

3 Gross domestic product at constant 1983 market prices increased from Rp. 61,500 billion in 1979 to Rp. 115,251 billion in 1990. In current prices, the Indonesian GDP stands at Rp. 197,492 billion or US$200 billion approximately. Particularly significant is the internal distribution of the GDP. In constant 1983 market prices over the same period the share of agriculture dropped from 24.8 per cent to 19.5 per cent while manufacturing increased from 9.7 per cent to 19.3 per cent. This was accompanied by an increase in approved domestic investments from Rp. 574 billion in 1977 to Rp. 41,085 billion in 1991 while approved foreign investment increased from US$609 million to US$8,778 million over the same period. Between 1969/70 and 1991/92 central government receipts surged from Rp. 335 billion to Rp. 50,566 billion while the domestic component of revenue increased from Rp. 244 billion to Rp. 40,184 billion. Significantly, income tax revenues increased from Rp.43 billion to Rp. 8,021 billion. (World Bank, *Indonesia: Growth, Infrastructure and Human Resources*, Washington, 1992, 170, 173; Anwar Nasution, 'Survey of Recent Developments', *Bulletin of Indonesian Studies*, 27 (2), 1991, 17).

4 There are now seven large shopping malls. The five largest of these have a combined area of 124,700 sq. m. Another five are planned for the period

1994–1996, the largest of which will have an area of 80,000 sq. m. The demand is clearly there. Pondok Indah Mall attracts 200,000 visitors each week. See *Indonesia Business Weekly*, 1 April 1994, 20–21.

5 M. Vatikiotis, 'Bourgeoisie Growing in Wealth – and in Clout?', *Far Eastern Economic Review*, 21 March 1991, 30–32.

6 *Tempo*, 15 May 1993, 84.

7 *Prospek*, 21 November 1992, 16–20.

8 B. Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, Boston: Beacon Press, 1966. See also James Kurth's exploration of this theme which focuses upon the relative place of the bourgeoisie in the web of social power: 'Industrial Change and Political Change: A European Perspective', in D. Collier (ed.) *The New Authoritarianism in Latin America*, Princeton: Princeton University Press, 1979, 319–362.

9 Samuel Huntington, *Political Order in Changing Societies*, New Haven: Yale University Press,1973; Philippe Schmitter, 'The "Portugalisation" of Brazil', in Alfred Stepan (ed.) *Authoritarian Brazil*, New Haven and London: Yale University Press, 1973, 179–232.

10 See Onghokham, *The Residency of Madiun: Priyayi and Peasant in the Nineteenth Century*, PhD thesis (Yale University, 1975), Ann Arbor University Microfilms, 1978.

11 In 1990/91, out of a total of Rp. 49,451 billion central government receipts, Rp. 17,712 billion came from oil taxes and Rp. 9,905 billion came from foreign aid; well over 50 per cent (World Bank, *Indonesia: Growth, Infrastructure and Human Resources*, Washington, 1992, 185, table 152). In 1989, the government share of domestic capital formation stood at 41 per cent compared with the private sector's 59 per cent. State banks, however, had provided 79 per cent of the Rp. 40 trillion credit provided for private sector investments up to August 1988 (Hadi Soesastro, 'Capital Formation and Equal Distribution', *The Indonesian Quarterly*, XIX(1), 1991, 70).

12 For a good overview of the 'organic' or 'integralist' concept of the state adopted by Indonesian political leaders see T. Mulya Lubis, 'In Search of Human Rights: Legal–Political Dilemmas of Indonesia's New Order, 1966–1990'.

13 For a brief overview of these ideological and political institutions see D. Reeve, 'The Corporatist State: The Case of Golkar', in Arief Budiman (ed.) *State and Civil Society in Indonesia*, Clayton, Monash University, Monash Papers on Southeast Asia no. 22, 151–176.

14 The literature on the issue of bad debts in the state banking system (*kredit macet*) and the recent Bapindo scandal is enormous. For an overview, see *Tempo*, 19 February 1994, 21–31 and 26 February 1994, 21–30.

15 See the observations of Sarwono Kusumaatmadja, former Golkar Secretary, on the formation of what he calls 'strategic groups'. Sarwono argues that the state, in particular Golkar, cannot afford to ignore new strategic groups of business, middle classes and petty bourgeoisie because if they are not taken into the state they will conduct their politics without (*Eksekutif*, August 1992, 45–46).

16 Gavin Jones and Chris Manning, 'Labour Force and Employment during the 1980s', in Anne Booth (ed.) op. cit, 363–410.

17 Badan Pusat Statistik, *Tabel Perbanding Beberapa Indikator Hasil SP90 Dengan SP71 Dan SP80*, Jakarta, 1992. In an earlier study based on the 1980 census figures of occupational categories including professional and technical,

managerial and administrative, clerical, sales workers and services, Mackie estimated that there were between 1.6 and 3.0 million middle-class households in Indonesia or around 7 million to 14 million people. The difficulty here is the status of the 'sales and services category' which introduces the petty bourgeoisie into the equation, a problem acknowledged by Mackie himself.

18 *Editor*, 18 August 1990, 11–25.

19 See the assessments of Ignas Kleden and Taufik Abdullah in *Kompas*, 2 October 1989, and other articles in *Kompas*, 3 October and 9 October 1989, as well as the report in *Editor*, 18 August 1990.

20 *Editor*, 13 July 1991; *Suara Pembaruan*, 20 July 1991; *Jakarta Post*, 25, 27, 29, 30 April and 2 May 1992.

21 There are three approved parties. Golkar is the state-sponsored party which campaigns on the basis of existing state policies but is also an institution for patronage and a mechanism for the political careers of civilian politicians. Two non-government parties are permitted: the Indonesian Democratic Party (PDI) and the United Development Party (PPP). The former tends to attract secular support and the latter is associated with the former Islamic parties. Within the constitution neither party can win government.

22 *Tempo*, 8 December 1990, 25–37; 9 February 1991, 23; 23 February 1991, 15.

23 For example, on the Iranian revolution, see Theda Skocpol, 'Rentier State and Shi'a Islam in the Iranian Revolution', *Theory and Society*, 11(3), 1982, 265–304; Mansoor Moaddel, 'The Shi'i Ulama and the State in Iran', *Theory and Society*, 15(4), 1986, 519–556.

24 Laksmi W. Pamuntjak, *The Indonesian Student Movement in the 1980s/1990s: The Development of Resistance by a Marginalised Minority*, unpublished honours thesis, Murdoch University, 1993, 37–40.

25 Armin Taubert, 'Liberalism under Pressure in Indonesia', in *Southeast Asian Affairs*, Singapore: Institute of Southeast Asian Studies, 1991, 122–137; M. Hadi Soesastro, 'The Political Economy of Deregulation in Indonesia', *Asian Survey*, XXIX(9), 1989, 853–869; Sjahrir, 'The Indonesia Deregulation Process: Problems, Constraints and Prospects', in John Langford and Lorne Brownsey (eds) *Economic Policy-making in the Asia Pacific Region*, Nova Scotia: Institute for Research on Public Policy, 1990, 321–339.

26 H.W. Dick, 'Further Reflections on the Middle Class', in Richard Tanter and Kenneth Young (eds) *The Politics of Middle Class Indonesia*, Clayton: Centre of Southeast Asian Studies, Monash University, 1990, 63–70; Kenneth Young, 'Middle Bureaucrats, Middle Peasants, Middle Class? The Extra-Urban Dimension', in Tanter and Young (eds) op. cit., 147–166.

27 Adam Schwarz, 'Piece of the Action', *Far Eastern Economic Review*, 2 May 1991, 39–40; *Prospek*, 18 May 1991.

28 Kenneth Young, op. cit.

29 Richard Robison, op. cit., ch. 9; Yoon Hwan Shinn, 'Demystifying the Capitalist State: Political Patronage, Bureaucratic Interests and Capitalists in Formation in Soeharto's Indonesia', doctoral dissertation, Yala University, 1989.

30 The movement of conglomerates into upstream industries, particularly in petrochemicals, paper and pulp and, to a lesser extent, public utilities, has been dramatic. The literature on this has been extensive. See *Tempo*, 11 August, 1990, 92–93; *Warta Ekonomi*, 29 April 1991, 22–29; *Prospek*, 27 November 1993, 16–27 (on the Berca group's activities in the electricity industry);

Prospek, 25 April 1992, 74–81 (on Prajogo's move into the petrochemical industry); *Prospek*, 17 August 1991, 86–97 (on Prajogo and Bob Hasan in the forestry products industry).

31 *Far Eastern Economic Review*, 25 April 1985.

32 *Kompas*, 30 April 1991; *Suara Pembaruan*, 25 May 1991; *Editor*, 7 July 1990; *Prospek*, 7 March 1992.

33 *Asia Inc.*, August 1993, 34–45 (on the development of the conglomerate LIPPO's China interests).

34 Robison, op. cit., 350–358.

35 Jeffrey Winters, 'Structural Power and Investor Mobility: Capital Control and State Mobility in Indonesia, 1965–1990', unpublished PhD dissertation, Yala University, 1991, 150–172.

36 Andrew MacIntyre, *Business and Politics in Indonesia*, Sydney: Allen & Unwin, 1990, 40–59. Richard Robison, 'Industrialization and the Economic and Political Development of Capital: The Case of Indonesia', in Ruth McVey (ed.) *Southeast Asia Capitalists*, Ithaca: Southeast Asia Programme, Cornell University, 1992, 65–88.

37 *Tempo*, 20 July 1991; *Prospek*, 24 August 1991.

38 *Tempo*, 20 July 1991.

39 Robison, op. cit., 343–350; *Asian Wall Street Journal*, 24, 25, 26 November 1986; Adam Schwarz, 'All is Relative', *Far Eastern Economic Review*, 30 April 1992, 54–58; *Warta Ekonomi*, 22 June 1992, 14–20.

40 Daniel Dhakidae, *The State, the Rise of Capital, and the Fall of Political Journalism*, PhD thesis, Cornell University, 1991.

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The Philippines

GENERAL

Land area	300,000 sq. km
Population (mid 1992)	64.3 million people
Nominal GDP (1992)	US$52,462 million
share of agriculture	22%
share of industry	33%
share of manufacturing	24%
share of services	45%
Average annual GDP growth rate (1980–1992)	1.2%
GDP per capita (1992)	US$816
GNP per capita (1992)	US$770
Monetisation level (broad money [M2] as % of GDP; 1992)	34.3%
Average annual growth rate of M2 (1980–1992)	17.0%
Central government budget surplus or deficit as % of GNP (1992)	– 1.2%
Current account surplus or deficit (after official transfers; 1992)	– US$999 million
Merchandise trade surplus or deficit (1992)	– US$5,675 million
Gross domestic savings as % of GDP (1992)	18%
Gross domestic investment as % of GDP (1992)	23%
Tax revenue as % of GNP (1991)	15%
Total external debt (1992)	US$32,498 million
Percentage of population of working age (15–64; 1990)	56.5%
Number of students in higher and university education (1990)	1.2 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US$2,440
Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1988)*	7.4

Percentage of urban population (1992)	44%
Total employment (1990)	22.9 million
of which professional, technical workers	6.1%
of which administrative, managerial workers	1.2%
of which clerical, sales, services workers	27.0%
of which agriculture, production, transport workers and equipment operators	65.7%
Gross tertiary enrolment ratio (1990)**	24.4
Life expectancy at birth (1992)	64.6 years
Population with access to safe water (1988–1991)	82%
Total consumer expenditure (1992)†	US$39,864 million
share of food, drink and tobacco	56.5%
share of clothing and footwear	7.5%
share of housing and fuels	16.1%
share of household goods and services	10.5%
share of health	1.2%
share of leisure and education	3.6%
Per capita energy use (oil equivalent; 1992)	302 kg
People per telephone (1990)	58.7
People per TV (1990)	20.5
People per doctor (1989)	6,295.8
Per capita consumption of beef (1991)	3.2 kg
Per capita consumption of poultry (1991)	4.1 kg
Per capita consumption of fish (1991)	36.6 kg
Per capita consumption of soft drinks (1992)	44.0 litres
Book titles published (1990)	1,112

Notes:
* Data refer to expenditure shares by fractiles of persons, ranked by per capita expenditure.
** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
† The percentage figures for consumer expenditure are on selected items only.

Sources:
Euromonitor, *International Marketing Data and Statistics*, 1994
ILO, *Yearbook of Labour Statistics*, 1993
National Statistics Office, *1992 Philippine Yearbook*
The World Bank, *World Development Report*, 1994
UNDP, *Human Development Report*, 1994

5 The Philippines' new rich

Capitalist transformation amidst economic gloom

Michael Pinches

> . . . by comparison with most underdeveloped countries, the basic economic position of the Philippines is favourable . . . [and] it has achieved a position in the Far East second only to Japan, both in respect to its level of literacy and to per capita production capacity. (World Bank 1957)[1]

> Uncontrolled and parasitic plundering of state and private resources tilted the Philippines on its long plunge from being the most 'advanced' capitalist society in Southeast Asia in the 1950s to the most depressed and indigent in the 1980s.[2]

Economic fortunes in the Philippines since independence in 1946 have commonly been portrayed as the inverse of those in other countries in the region. In the 1950s and early 1960s the Philippines had one of the fastest-growing and most industrialised economies in Southeast Asia. It was characterised by a rising class of manufacturing entrepreneurs, a substantial salaried middle class, a growing working class, a high level of formal education and a political system organised around electoral democracy. In short, the Philippines seemed to possess all the hallmarks of modernisation, constituting a model for other countries in the region to follow.

Three decades later the Philippines is commonly viewed as the single economic failure in a region of newly industrialising countries (NICs). By nearly all the standard indicators of economic success, it has fallen dramatically behind the achievements of most other nations in the region, and, among the ASEAN (Association of South East Asian Nations) countries, is said now to suffer the highest level of poverty.[3] While other national governments in the region are basking in the glory of NIC status, officials in the Philippines are still only planning for economic 'take-off'.[4]

I wish to thank Jane Hutchison for her helpful comments and suggestions during the preparation of this chapter.

Explanations for this failure have varied: some have stressed the absence of a liberal economic environment; others the destructive character of foreign domination; still others the plundering of the Philippine economy by the Marcos regime; and some, an impoverished national culture.[5] Whatever the respective merits of these accounts, all suggest a picture of stagnation. Thus, whereas commentators talk freely about the new rich or rising middle classes and bourgeoisies of other countries in the region, such discussion would seem problematic in the case of the Philippines. Is it that the 'old rich' have simply maintained or reasserted such a position of dominance that major societal change has been impossible, as many accounts suggest? Or are there important new social forces emerging behind the continuing poverty and economic gloom?

While acknowledging many continuities in the character of economic and political power in the Philippines, this chapter argues that there are substantial numbers of people who can be described as new rich, and that such people have been playing increasingly influential roles in Philippine society. Their emergence provides evidence of the country's changing class structure. First, the most prominent and influential are to be found in the expanded bourgeoisie which has come to include significant layers of people not previously associated with the nation's propertied elite. Second, the new rich have emerged through the related development of a more amorphous stratum of educated professionals, technicians and managerial people commonly identified in the literature as the 'new middle class'. They have become increasingly important in the running of the national economy and in the political arena. Third, it is possible, in a relative sense, to identify within the working classes a substantial new rich of overseas contract workers whose incomes and purchasing power far exceed those of their counterparts employed in the Philippines.

At each of these levels, the new rich are indicative of a deepening of capitalist relations in Philippine society, despite the lack of generalised material prosperity and rapid growth of industrial manufacture commonly associated with capitalist development. They are also indicative of the shifting geography of the global political economy as the Philippines becomes less subject to American influence and more enmeshed in the social order of Southeast and East Asia. Yet the Philippine new rich also have to be seen in the context of a society that is highly variegated, and in which powerful elite elements continue to pursue privilege more through the accumulation of political spoils than the investment of capital.

This chapter traces the emergence and character of the new rich in the Philippines since independence in 1946, placing particular emphasis on the changing profile of the bourgeoisie and middle class in relation to state

power. For these purposes, it is convenient to identify three political periods since independence, each associated with new sources of wealth, distinctive forms of state involvement in economic activity, and different patterns of foreign investment and borrowing.

The first period is one of electoral democracy ending with the declaration of martial law in 1972. It is marked in the 1950s and 1960s by a growth in factory manufacture and industrial entrepreneurship, aided by state protection, as well as by an increasingly independent middle-class intelligentsia championing the cause of economic nationalism.

The second period is that of authoritarian rule under the presidency of Ferdinand Marcos, and is associated with 'crony capitalism', the expansion of export industries and the growing importance of state technocrats.

The third period, beginning with the popular overthrow of the Marcos regime in 1986, is one in which electoral democracy is re-established under the presidencies of Corazon Aquino and Fidel Ramos. It is marked by the partial dismantling of 'crony capitalism' and a more liberal economic environment in which old business interests have been able to re-establish themselves, but where new capitalists have also risen to prominence, notably from among the ethnic Chinese and in the regions outside Manila. It is a period in which political turmoil gives way to relative political stability in a context of regional economic dynamism.

By no means has the emergence of new and powerful economic actors in each of these periods constituted a simple upward progression of capitalist development or outward expansion of the country's bourgeoisie. In each period there have been cycles of growth and contraction, vested economic and political interests have fought for and against change, and in the end the majority of Filipinos continue to live in a state of severe hardship. Yet for all this, the different layers of people who have come to join the Philippine bourgeoisie since independence have remained, for the most part, within this class. Similarly, middle-class occupations have multiplied, although the status, power and remunerations associated with them have also become more diverse. The proportion of Filipinos working as wage labourers has increased through each of the three periods, but it is only since the early 1980s that relatively highly paid overseas contract workers have emerged in large numbers.[6]

HOME MARKET INDUSTRIALISATION, 1950s–1960s

At the time of its political independence from the United States in 1946, the Philippines was primarily an agricultural society linked to the global economy through primary product exports and manufactured imports.

Regional economic power was concentrated largely in the hands of mestizo landlords and ethnic Chinese merchants, dispersed in cities and towns around the archipelago. Political power rested almost exclusively with a mestizo landed oligarchy, the nationally most significant sections of which came from the rice bowl of Central Luzon and the sugar province of Negros Occidental. Members of this oligarchy, who occupied positions within the colonial state, consolidated their hold on political office in the early years of independence. Parliamentary democracy was principally a system whereby these powerful landed families and their representatives competed for the spoils of political office via shifting alliances of patronage.

Limited development of capitalist production was to be found in the sugar plantations, in the processing of export crops like sugar and coconut oil, and in small urban manufacturing industries. Indeed, some of the most powerful landed Spanish and mestizo families, using capital generated from their land holdings and franchises, were already well established in such activities before the Pacific war. However, the emergence of a substantial, socially identifiable bourgeoisie is usually associated with the state-backed growth of import substitution industries in the 1950s which saw a dramatic expansion in manufacturing production for the local market. By 1958 manufacturing represented over 16 per cent of national income, twice the proportion of ten years earlier.[7] Although initially triggered by a foreign exchange crisis, import substitution industries continued to be protected under the rubric of economic nationalism.

Between a third and a half of manufacturing entrepreneurs came from backgrounds in the established landed oligarchy.[8] This meant that there was no clear social or cultural break between this class and that of the landlords. Nevertheless, a partial cleavage did arise over the maintenance of import protections, which benefited manufacturers but damaged that section of the landed oligarchy, notably the powerful sugar bloc, involved in the production of export crops.[9] The move into manufacture marked an important shift on the part of a powerful minority of families within the landlord class to diversify their economic interests and enter into new forms of property relations. Indeed, this shift in part accounts for the state's maintenance of exchange and import protection, in the face of strenuous opposition from agricultural exporters.

The maintenance of state protection for manufacturing entrepreneurs indicated not only that significant numbers of landed oligarchs had diversified and were able to draw on their numbers in Congress to support protection, but that a wider support base existed within a growing nationalist intelligentsia, some members of whom were to be found among the increasing number of career politicians.[10] For most of the colonial

period the intelligentsia had been strongly tied – by family and by culture – to the landed oligarchy. Increasingly, however, they were coming from a growing middle class, which had been generated out of the expanded American school system and the growing numbers of occupations created in the state bureaucracy, the professions, and private corporate development, partly by virtue of industrial expansion itself.[11] Although many came from modest landed backgrounds, more and more became economically and socially removed from the landed oligarchy. Less constrained by the interests of landlords, influential elements within the intelligentsia played an important role in the development of economic nationalism, in particular in promoting the protection of domestic manufacture against industrial imports. The issue of protectionism marks a decisive moment of the involvement of middle-class elements in national political affairs.

Despite the economic nationalism associated with import substitution manufacturers, many of them ran their enterprises as joint ventures with American capital which had privileged entry into the Philippines under the independence agreement. Foreign capital became most pronounced after 1962 when protection was partially removed in favour of export agriculture.[12] Mestizo or Malay Filipino manufacturers also relied heavily on the capital of local partners from the ethnic Chinese community.

While a high proportion of home market manufacturers came from within the elite, the majority came from backgrounds outside the landed oligarchy and large established business enterprises. A background in commerce and small business was common among those who became industrialists, but many also had been professionals, white-collar workers and state employees.[13] As with the emergence of a relatively independent nationalist intelligentsia, the middle class proved to be an important source of powerful actors within the Philippine political economy. Together with many of the traders-turned-industrialists those of the salaried middle class who became manufacturing capitalists constituted the 'new rich' of the 1950s and 1960s.

It is often argued that import-substitution manufacturers are inherently limited because of their reliance on imported capital goods and limited local market for luxury consumer items. Thus, it is commonly observed that such manufacturing reached a limit in the Philippines during the 1960s. While this may be so, it is untrue to describe many of the goods produced by home market industries as luxury goods; much of the food processing and local production of clothing, for example, was destined principally for a mass market and this market has continued to grow and to sustain a considerable home industry, albeit one that is comparatively inefficient and dependent on capital imports. It is also the case that many import substitution

manufacturers diversified into other economic activities, notably real estate, banking and agribusiness. Thus home market manufacturing often proved to be the starting point of capitalist enterprises which today have expanded into large conglomerates. In other cases, established business operators were able to use the capital generated through home market manufacturing to expand into new areas.

Indeed, the 1950s and 1960s saw a considerable diversification of economic activity in the Philippines, as industrial expansion, urbanisation and the further commercialisation of agriculture gave rise to new avenues for profitable investment, notably in banking, urban real estate, construction, utilities and media. This brought large fortunes to old elite landowning families like those of Ayala-Zobel and Lopez, who expanded their interests into family-based conglomerates. The 1960s was a period notable for the proliferation of private banks, many of which became established as the centrepieces of these family conglomerates. The pre-martial law period saw three major changes within the Philippine propertied elite: first, there was a noticeable shift towards the investment of capital as the basis of private wealth; second, there was a significant widening of the bourgeoisie through recruitment from the ethnic Chinese trading community and professional middle classes; third, there was an increased concentration of capital in the hands of a small number of family conglomerates. According to one estimate, the top 10 per cent of stockholding families at this time controlled almost 78 per cent of corporate assets.[14]

AUTHORITARIAN RULE: MIDDLE-CLASS POLITICIANS, CRONY CAPITALISTS AND EXPORT PRODUCERS

Various analyses have focused on how and why the Philippines was pushed into a fourteen-year period of authoritarian rule with the declaration of martial law in 1972. These accounts have variously emphasised the polarisation of nationalist and imperialist forces, the economic crisis brought on by mounting foreign indebtedness, discontent with the continued lack of economic development, societal changes that had concentrated increasing power in the state and executive, and the political ambitions of the Marcos family.[15] It is not the place here to review this literature, but one initial point that stands out in the present context is that the main actors who held centre stage in the nation's political arena at this time were not identified with the old landed oligarchy or urban bourgeoisie. Nor can one convincingly reduce these actors to a particular interest group within the established elite, or even within the peasant and working classes, in the case of the oppositionists. Marcos, his advisers, many of his major liberal political opponents and most of the leadership of the

revolutionary left had occupied positions as career politicians, professionals, bureaucrats, military officers and academics or students. Although some had ties to rural land holdings, these were generally remote and of limited importance. Clearly they did not express the same collective interests, yet as people located in the intermediate layers of Philippine society assuming immediate responsibility for the political affairs of the nation, they represented a significant departure from the past.

Apart from the claim that martial law would save the country from political anarchy, the major argument used by the Marcos regime to legitimise authoritarian rule was that the Philippines needed economic development and that this could only come with a regime strong enough to overcome reaction from the 'old society', especially from its landed elite.[16] In short, the Marcos regime offered the promise of new wealth and an alternative power base to that of entrenched landed interests. The developmental ideology of the regime and the decisiveness with which it seemed to be pursuing this ideology won substantial support among sections of the intelligentsia and wider middle class, resentful of the old landed oligarchy. Commentators on the early years of martial law also observed that Marcos enjoyed wide middle-class support because of the establishment of law and order in a country often referred to at the time as 'the wild west of Asia'.

While the Marcos regime curtailed the political power of the old elite through the abolition of Congress, and confiscated the business assets of some of the country's most established and prosperous families, most notably the Lopezes, the majority of the elite and bourgeoisie remained relatively unscathed.[17] Indeed, many benefited from the environment of law and order, and overseas investor confidence, which prevailed in the early years of martial law.

Nevertheless, the regime was successful in promoting the generation of new wealth and a population of new rich. The most notorious and spectacularly wealthy, apart from the Marcoses themselves, became known as the 'crony capitalists' – the small group of Marcos friends and relatives who came to prominence through preferential access to contracts, state finance, tax privileges and protected markets or industries. Two of the best known – Eduardo Cojuangco and Roberto Benedicto – were granted effective private use of government-imposed monopolies over the lucrative coconut and sugar markets. Some of the cronies, like Cojuangco and Benedicto, came from prosperous landed backgrounds; others were moderately successful businessmen, while the remainder were professionals and politicians, but the majority rose from relative obscurity. They acquired diverse interests in virtually all sectors of economic activity, but their core activities were in agribusiness, construction, shipping, banking and real estate.[18]

Politically, the cronies served the Marcos regime as a loyal retinue of supporters exercising control over much of the national economy. For some Filipinos they also appeared to offer, for a time at least, the vehicle through which state authoritarianism might foster a bourgeoisie strong enough to propel the country along the path of capitalist prosperity. While the cronies enriched themselves, many of their businesses were unsuccessful and they proved a major source of undoing for the Marcos regime. Massive foreign borrowing underpinned most of the state's extensive spending on infrastructure and grandiose construction projects; it also provided the cronies with private wealth and kept a number of their failed businesses afloat. In the early 1980s, a number of the crony enterprises collapsed as the regime's efforts to prop them up substantially reduced the effectiveness of state power, and as lending agencies, alarmed by defaulting governments elsewhere, placed more pressure on the Marcos regime to introduce reform.[19] In 1983 the Philippines became the only country in the region to default on its overseas loans.

It is commonly argued that the cronies were not so much capitalist entrepreneurs as the most excessive in a long line of plunderers whose principal orientation was rent-seeking through privileged access to the state. Undoubtedly there is much truth in this, and it is clear that many of the cronies were not skilled capitalists, as Koike points out.[20] Yet not all crony businesses failed, and not all cronies were solely or even predominantly concerned with rent-seeking. Furthermore, cronyism in one form or another has been endemic through most of the region including the countries now heralded as NICs. Nevertheless, under Marcos cronyism proved economically fragile largely because of its relatively unlimited and monopolistic form, as well as its heavy reliance on foreign loans.[21] But crony business failures were also associated with an unstable political environment which discouraged long-term local investment in favour of short-term gains and the salting away of wealth overseas.

Not all of the capitalists given birth under authoritarian rule can be looked upon as cronies or rent-seekers. In the 1970s the development of what has become known as the New International Division of Labour witnessed the beginning of a new wave of foreign investment in export manufacture in Southeast Asia. In the Philippines, the promotion of such investment through the establishment of free-trade zones and guaranteed access to a cheap, docile industrial labour force became a major platform in the Marcos regime's development programme. At the helm of this programme was a new layer of state technocrats whose presence heightened the profile of the educated middle class in the running of the national economy. The combination of foreign and local investment in export manufacture during this era saw a substantial growth in the contribution of

electronics, garments and a number of other industrial products, to the country's export earnings. By the end of the 1970s manufactured goods accounted for about 50 per cent of merchandise exports compared with only 6 per cent in 1965.[22]

Official figures during the 1970s indicated that about half of the investment in export industries came from foreign sources, although other studies indicate that the great bulk of capital was raised locally.[23] While half of the companies operating in the major industries were multinational corporations, the remainder were local subcontracting enterprises which, according to Snow, represented the emergence of a new export-oriented industrial bourgeoisie. Importantly, says Snow, these entrepreneurs appear to have been people with only limited economic and political influence, many of them ethnic Chinese, who did not belong to the inner circle of Marcos's crony businessmen. Nor do they appear to have been home market manufacturers.[24] In the late 1970s their numbers were on the rise. While the majority of export manufacturers may have been small and relatively new, some of the large conglomerates, such as the Ayala Corporation, controlled by members of the old elite, also made substantial investments in semiconductor assembly and other export industries. For some in the old elite, this represented a partial shift in investment away from land and services.[25]

However, under Marcos, export manufacturing never reached the heights promised. Not only were the opportunities more limited than for the earlier generation of export-oriented NICs, but the Philippines also proved a less popular destination for foreign capital than the other major ASEAN countries during this period. In part, this can be attributed to the very weakness of the Philippine state, despite the authoritarian regime. Japanese capital, which assumed great importance in the region generally, largely bypassed the Philippines because of perceived political instability and anti-foreign sentiment.[26] To some extent the limited growth of export manufacturing rested on the power of the bourgeois and nationalist protection lobby associated with home market manufacturers. American partners in these industries were also influential in opposing any changes to protection laws. Thus the levels of tariff protection for local industry remained the same from the mid 1960s to the late 1970s.[27] In 1983, home market production still accounted for 86 per cent of value added in the country's manufacturing industry.[28] Furthermore, despite its rhetoric, the regime also demonstrated limited will or capacity to provide adequate infrastructure and other assistance. In part this reflected the subordination of the technocrats to the private interests of the Marcoses and the cronies.

During the period of authoritarian rule, important changes took place in agriculture and livestock production, but these do not appear to have

produced substantial layers of new rich in the countryside. They did involve, however, a greater commercialisation of rural exchange and productive relations through the state-backed introduction of green revolution technology, and the entry of corporate capital – both local and foreign – into production, processing, packaging, marketing, chemical inputs, machinery and credit. Nevertheless, the impact of these developments was highly uneven and was most concentrated in particular products and regions, notably rice cultivation in central Luzon and the export-oriented fruit plantations and contract farms of southern Mindanao. Some landlords successfully converted to capitalist farming using machine technology and wage labour, but rural cultivation remained overwhelmingly in the hands of smallholders or tenants. While new opportunities saw the emergence of small rural entrepreneurs, the most successful local investors in agriculture during this period were established urban-based corporate capitalists who often avoided the immediate risks of cultivation itself, and concentrated on servicing, processing and marketing.[29]

The demise of the authoritarian Marcos regime has received as much attention as its creation.[30] It involved a crisis that was both economic and political. Economically it centred on the damaging effects of mounting foreign debt and deteriorating balance of trade, associated with price rises on oil imports and declining export earnings due to a big drop in sugar and coconut prices. Domestic financial paralysis followed, as many businesses closed, as government offices became inactive and as about US$5 billion left the country in capital flight.[31] Overall, domestic production went into a dramatic decline. In 1984 the gross national product contracted by 7.1 per cent.[32] Politically, the overthrow of Marcos is usually tied to the popular opposition movement that came into existence after the assassination of opposition leader Benigno Aquino, although it also had its roots in the longer revolutionary struggle led by the outlawed Communist Party of the Philippines which had grown dramatically under Marcos rule.

While the rise of Marcos's authoritarian regime might be understood as a triumph for some sections of the Philippine middle class, the most open and formally organised opponents of the regime also came mainly from within the middle class: ranging from leaders of the Communist Party and other allied groups to such people as human rights lawyers, activist clergy, writers, journalists, academics and students. Alone, their oppositional power was limited but many of them, consciously or otherwise, increasingly provided a conduit for the expression and mobilisation of peasant and working-class discontent, not only with the regime but more fundamentally with class oppression itself.[33]

While the popular movement that overthrew the Marcos regime derived its initial impetus and momentum from the radical left, it increasingly came

to be dominated by a more moderate, liberal leadership that not only rejected Marcos, but also the Communist Party. It was principally this grouping that came to be associated with 'people power' and with what many journalists in Manila described as a middle-class revolt. Expensively dressed professionals, office workers, managers and former members of Congress were most prominent in many of the protest rallies, which often took place in Manila's main business districts. The force and legitimacy of this movement also owed much to the fact that it was supported, not only by the Catholic Church, but by an influential number of well-known capitalists and corporate executives, whose businesses had been damaged or threatened by the economic crisis and the excesses of crony capitalism. Some campaigned openly through organisations such as the Makati Business Club while others, seeking to maintain anonymity, provided substantial funds to the opposition movement.[34]

GLOBAL CHANGE, THE STATE AND THE NEW RICH AFTER MARCOS

Since the overthrow of the Marcos regime, the bourgeoisie has widened and become more variegated. Simultaneously that section of the old landed oligarchy which has sought to maintain power on the basis of birthright and privileged access to the state, has come under increasing pressure. Crucial to these developments has been the changing character of the global and regional political economies, in particular the shift of economic gravity to the Asian region. Increasingly the dominant economic role assumed by the United States has given ground, as capital from Taiwan, Japan, Hong Kong and other neighbouring countries has been invested in the Philippines, and as labour markets in East and Southeast Asia absorb more and more Filipino workers. The closure of the American military bases in 1992 and cuts to American aid have further reduced the influence and profile of the United States. These changes have weakened the ideological sway of old forms of economic nationalism which attributed much of the blame for Philippine underdevelopment to American neo-colonialism and multi-national corporations. Surrounded by NICs that were themselves shaped by imperialism and foreign capital, more Filipino politicians, planners and intellectuals are now captivated by the images of the Asia miracle, and the idea that internal impediments are largely responsible for the lack of economic progress.

Two other major factors that have contributed to the growth and character of the bourgeoisie in the post-Marcos period have been the gradual political stabilisation of the state and its shift to a more liberal

orientation to the economy. The early years of the Aquino Government looked profoundly unstable, as the coalition of disparate anti-Marcos forces fought with each other for ascendancy. Several coup attempts by military officers, the proliferation of private armies and right-wing vigilante squads, and the assassination of left-wing activists and alleged communists, suggested a slide into military rule or political anarchy.[35] Nevertheless, civilian rule prevailed and increasingly stabilised, largely because of Aquino's continued popularity and the legitimation of her regime through a new constitution and a return to electoral politics. But political stability also came about by virtue of her government's retreat from major social reforms that were seen to threaten the interests of landlords and the military. Indeed, congressional and local elections enabled many of the dominant families of the pre-martial law era to resume political office in what a number of observers refer to as a return to 'elite democracy'.[36] Further political stablisation came with the combined national elections of 1992 and the ascent to presidential office of the former general Fidel Ramos. While many of the elected regional politicians in these elections came from a traditional political background rooted in patronage and landed privilege, Ramos and a number of other key figures represented a departure from this pattern.[37] Significantly, Ramos's most organised support came from a large section of the urban business community opposed to the crony capitalism of the Marcos era, and from military officers known for their resentment of the old landed oligarchy.[38]

These shifts in the domestic political environment, coupled with the decline of Soviet communism and American imperialism, have brought on an ideological crisis and organisational fracturing of the Philippine revolutionary movement. Associated with this, militant trade unions have lost ground in their capacity to mobilise working-class discontent. Rebels within the armed forces have become increasingly marginalised and the Muslim secessionist movement has also lost ground. Although the return of regional oligarchs to political office has contributed to a weakening of centralised authority, the Philippine state and the Ramos regime now enjoy a level of political stability unsurpassed for over a decade. Investors of capital, both local and foreign, have thus become more confident in the Philippines as a reliable place for doing business.

While Aquino was most preoccupied with achieving stable civilian government and a return to electoral democracy, both the Aquino and Ramos regimes have demonstrated a greater commitment to the idea of free-market capitalism than their predecessors. Under both regimes economic growth has been pursued through policies that favour privatisation and the deregulation of trade and investment. In part this has been dictated

by the demands of the IMF and World Bank, and by the reluctance of foreign investors and bankers to associate with anyone tainted by Marcos era cronyism.[39] But it also reflects the mounting influence of Filipino capitalists and business professionals disadvantaged by cronyism under Marcos, as well as the hostility that this system generated in the wider electorate. Although vested interests continue to resist liberalisation, the ideological persuasion of the protectionist lobby and those who favour development through state enterprises has waned. Much of the ideological initiative has been taken by the Ramos Government's 'Philippines 2000' programme, intended to make the Philippines an NIC by the year 2000.[40] Ramos defines the essence of Philippines 2000 in the following terms: 'our basic concern is to dismantle the structure of protectionism and control, bring down the monopolies and cartels built up by crony capitalism and level the playing field of enterprise'.[41]

When Aquino took office, the state sugar and coconut monopolies controlled by Marcos cronies were dismantled. A Presidential Commission on Good Government (PCGG) was created and made responsible for locating, sequestering and redistributing the wealth and business assets of the Marcos family and its cronies, where these were found to have been acquired through corruption. While the PCGG has had only limited success,[42] the domain of private business assets is now further removed from that of the state. Two of the largest companies in which controlling interests have been sold off privately are Philippine Airlines and Petron, the nation's main oil-refining company.[43] One of the stated objectives of the Ramos plan for economic growth is the generation of competition, and higher levels of production and service through the breaking up of private monopolies, particularly in areas that are believed to have suffered from a lack of investment and technological change. To this end it has introduced major changes in telecommunications, ending a virtual monopoly controlled by a powerful figure within the Cojuangco family.[44] Despite opposition, import tariffs are being reduced, a number of restrictions on foreign investment have been removed, and it is expected that the banking and oil industries will soon be deregulated.[45]

While programmes aimed at breaking up monopolies and separating the state from private capital accumulation may be seen as a departure from those of the Marcos regime, the pursuit of foreign investment, as a cornerstone of development, particularly in manufacturing, is common to both periods. A number of new export-processing zones have been planned and the development of a large region south of Manila (Calabarzon), into a series of industrial estates, was founded on overseas investments and aid under the Philippine Assistance Programme. Similarly, recent attempts to

develop Subic Bay, the former American naval base, into an industrial centre, rest on the promised investment of foreign capital, in particular from Taiwan. What remains unclear is the manner in which foreign capital will engage with domestic capital, and to what extent local capitalists will either be forced out of business or become more productive. Many local capitalists have been seeking out joint ventures with foreign investors or are establishing subcontracting enterprises.[46]

In the early years of the Aquino regime, local investment grew, foreign investment returned, and so too did much of the wealth that had been sent out of the country in the lead-up to Marcos's overthrow.[47] While the military coup attempts limited this revival, substantial real economic growth occurred over the first four years of Aquino's period in office, reaching a peak of 6.7 per cent in 1988.[48] By 1990 the Aquino regime was claiming that it had achieved a 10 per cent drop in the number of people below the country's poverty line.[49] Manufacturing, notably the major export industries of garments and electronics, grew at a higher rate than GNP, but the most dramatic growth took place in real estate development.[50] Most of the early economic growth under Aquino is attributed to a massive expansion in consumer spending. In part this was made possible by the return of overseas savings, international price increases for agricultural exports, and the state's funding of labour-intensive infrastructural projects, together with a 20 per cent rise in the state's number of employees.[51] However, the major source of expanded consumption and a continuing mainstay of economic growth has been the wage remittances of the growing number of Filipino contract workers employed in the Middle East and other parts of the Asian region.[52]

In 1991, after about four years of expansion, GNP growth declined and, although it has started to rise again, its levels are well below those of its Southeast Asian neighbours.[53] In part the initial decline reflected a number of natural disasters and the last serious military coup attempt of late 1989, but clearly other factors of longer-term significance have also been important. One is that the Philippines continues to pay the price for cronyism and presidential plunder under the Marcoses. Thus, a major current impediment to economic growth is the state's responsibility for huge foreign debts incurred during this period. With only limited revenues, the Philippine state has been unable to develop the infrastructure necessary for a rapid growth in capitalist production. These problems have been highlighted in recent years by severe power shortages, which in 1992/93 were responsible for a contraction in manufacturing and are said to have cost the Philippines up to 5 per cent of gross domestic product.[54]

However, the early political turmoil and unsteady economic growth that have followed the demise of Marcos have tended to conceal the

development of a more diversified bourgeoisie.[55] Although individual fortunes have varied, each of the categories of capitalists identified in earlier periods has survived, and many established businesses have clearly prospered; new business entrepreneurs have emerged, and a number have started to form their own large conglomerates. Between 1975 and 1985 an average of 4,600 corporations were formed annually. From 1986 to 1990 the figure increased to 6,000.[56]

Those who accumulated capital as Marcos cronies have lost the considerable benefits of state patronage, but most have survived with their assets relatively intact, despite some confiscations by the PCGG and recent efforts by the Ramos Government to prosecute former crony tax evaders. While some of the cronies who went bankrupt and left the country seem unlikely to reappear, others have re-established themselves with business empires capable of competing with large foreign and local corporate capital. Some have even been able to expand their empires through the Aquino Government's debt-for-equity privatisation programme.[57] Although the cronies may have been best understood as rent-seekers under Marcos, a number have since proved themselves equally capable of investing capital and generating profits in the absence of state privileges. For example, former Marcos crony Lucio Tan has invested heavily in order to gain a controlling interest in Philippine Airlines and is reported to be streamlining its organisation and investing further in new aircraft so as to make the company more profitable.[58] Others are reported to have established new manufacturing enterprises through joint ventures with overseas investors.[59]

The old propertied Spanish and mestizo families, whose business conglomerates were the biggest in the country before martial law, have largely resumed their former power. Some of those who lost much of their corporate wealth through Marcos depredations have been able to regain most of their assets. Most prominent among this number is the family of Eugenio Lopez which, with governmental assistance, has resumed its former interests in media, banking, property development and utilities. Lopez has also expanded into other areas including computer disk manufacture, and vehicle assembly through a joint venture with South Korean investors.[60] The Ayala-Zobels, whose empire is centred on real estate, food manufacture, banking and electronics assembly, had remained relatively unchanged during the authoritarian period. However, since 1986, their businesses have expanded through new partnerships with both local and foreign capital, particularly in the area of property development during the real-estate boom in the late 1980s. A number of the other old Spanish and mestizo business families who became active real-estate developers after the initial success of the Ayala-Zobels in the 1960s, also benefited from the recent boom.[61]

Since the Marcos period a number of new figures have risen into the highest ranks of corporate capital in the Philippines. Unlike the old landed families, such as the Ayala-Zobels and Lopezes, who come from a more patrician Spanish–American tradition, they have emerged mainly out of the Filipino–Chinese business community.[62] Most began as small capitalists during the 1950s protection phase of industrial expansion. Unlike some of the surviving cronies, who are also ethnic Chinese, they have prospered without significant state patronage. Nevertheless, their fortunes have been affected substantially by changing government policies: first, when many were effectively forced into manufacturing by the 1950s anti-Chinese nationalisation policies in the retail trade, and second, by the opening up of citizenship requirements by the Marcos Government in 1975 which allowed more ethnic Chinese to own property legitimately.[63] The success of the Chinese entrepreneurs is said also to rest on the exodus overseas of many university-trained Filipino executives and second-generation members of the old landed elite. More importantly, the recent economic success of Filipino–Chinese business people has arisen out of their long-standing social and cultural-linguistic links with Taiwan and Hong Kong, whose entrepreneurs are investing in the Philippines more than ever before.[64] In the period when the United States dominated the Philippines' external economic relations, the Chinese are said to have been at a distinct cultural disadvantage in comparison with English-educated Filipino business operators.[65] Now, as more capital is invested from within the region itself, the ethnic Chinese commonly operate from a position of advantage. Nevertheless, it appears that ethnic identity has continued to be a source of discrimination as Filipino–Chinese business families were subject to a wave of kidnappings for ransom by syndicates linked to the military and police. While this has subsided, it frightened some Chinese capitalists into leaving the country and withdrawing their investments.[66]

According to Tiglao, Filipino–Chinese now control about 30 per cent of the top 500 corporations in the Philippines, although they represent only about 1 per cent of the country's population.[67] The most successful have not limited their business associations to the Chinese community but have crossed ethnic lines to form partnerships with the likes of Eugenio Lopez, the Ayala-Zobels and the Sorianos.[68] Success also tends to have come to those who have diversified from trade and manufacture into finance. Two of the most prominent of the Filipino–Chinese businessmen are Henry Sy, a small shoe trader in the 1950s, and John Gokongwei, who started out at the same time as a food manufacturer. Since then they have both moved variously into textiles, mining, sugar refining, banking, property development and telecommunications. Each now heads one of the two largest

chains of department stores in the country. They were among the major beneficiaries of increased consumer spending and the property boom of the late 1980s.[69]

Although most of the largest capitalist enterprises in the Philippines continue to be based in Manila, some of the greatest economic growth since the overthrow of Marcos has taken place in other urban centres. The growth in manufacture and other enterprise outside Manila has prompted Tiglao to suggest the birth of a new category of regional capitalists. The greatest concentration comes from the predominantly Chinese business community of Cebu city. Many have prospered through the establishment of furniture, handicrafts and electronics manufacture, while others have risen to prominence through home market industries, property development and banking.[70] Unfortunately little research has been conducted on the growth of medium-scale capitalist enterprise, but one report indicates that small and medium-size enterprises have increased their share of total production in relation to large businesses.[71] Some apparent impetus for the rise of small capitalists is found in the report that Japanese manufacturing investors are now 'ignoring the entrenched elite in favour of younger innovative entrepreneurs'.[72]

After an initial period of expansion under Aquino, industrial manufacture has not grown in the manner associated with other countries in the region, although it continues to account for about a quarter of GDP. As was the case under Marcos, the most significant growth continues to be in export industries, both in Manila and in a number of urban and peri-urban centres around the country. This was facilitated by the Aquino Government, which made it possible for a greater number of investors to obtain export licences.[73] Most of the growth that has occurred has involved small and medium-sized enterprises. This is evident in the Calabarzon industrial estates south of Manila where many garment and other moderately sized export manufacturers have set up operations. The largest local capitalists, such as the Ayala-Zobels, have limited their investments in these estates to property development.[74] The recent origin and limited financial capacity of many manufacturers has been evident in the downturn in industrial production in 1992/93, in large part a consequence of the shortage in mains power supplies. Whereas the more established local and foreign capitalists operating large enterprises were able to acquire their own generators, small and recently established manufacturers were forced to close down or limit their production to times when mains electricity was available.[75] As in the past, many new capitalists in Manila and in the regions come from a background in the middle-class and Chinese merchant communities. Frequently their identities are ambiguous as many owners of small capitalist business simultaneously work as salaried employees.

The entry into the bourgeoisie of former professionals-turned-entrepreneurs is one feature of the relationship between capitalist growth and the middle class. Another is the growing use of trained professionals in the management of private enterprise. This is becoming an increasingly pronounced feature of capital in the Philippines and in the region at large. While the great majority of companies continue to be owned by families, they are increasingly managed by non-family salaried professionals trained in such institutions as Manila's prestigious Asian Institute of Management.[76] Indeed, the growing corps of professional managers, administrators and technical experts constitutes a feature of business enterprise in the Philippines that is commonly overlooked in that literature which stresses elite continuity. Relatively unencumbered by particular loyalties to individual owners of capital, these professionals commonly circulate between foreign and local companies, and to some extent between private industry and the state. Alongside the technocrats recruited from universities or kept in place from the Marcos period, the Ramos and Aquino regimes have elevated such people to influential positions in their attempts to generate capitalist development.[77] While highly educated salaried professionals are assuming a higher profile in private enterprise and the state in the Philippines, many also move within an international professional labour market to find executive employment in other parts of Southeast Asia, as well as in the Middle East and North America.[78]

Salaried professionals who exercise managerial control over capitalist enterprise in the Philippines can be thought of as another layer within the bourgeoisie. However, the majority, who exercise less control, may be better understood as a growing segment within the Philippine middle class.[79] Their growing numbers are indicative of the extent to which the middle class has grown beyond the state bureaucracy and become more differentiated. In general, middle-class Filipinos are relatively poor compared with their counterparts in, say, Singapore or Malaysia,[80] but income levels within this population are highly uneven. On the one hand there are numerous stories of Filipino school teachers who have gone overseas to take up higher-paid jobs as domestic workers. On the other hand, many of the professionals employed in Manila's corporate sector receive high salaries and live in great material comfort. Recent trends in consumption suggest the growing importance of such people. For instance, new moderately expensive housing estates have mushroomed in Manila over the past eight years. Indeed, their construction has constituted one important area of growth for a number of real-estate developers. Further evidence of new wealth in the middle layers of Philippine society is to be found in the exponential growth in private car ownership.[81]

Any discussion of the middle class is confounded by problems of definition, not only at the upper end in relation to the place of salaried corporate managers, but also at the lower end in relation to the working classes.[82] Moreover, significant numbers of people identified as middle class by their occupations and urban lifestyles, maintain some ties to land holdings in the countryside. In the Philippines itself, the term 'middle class' is commonly associated with perceived incomes and consumption practices. Many of those called 'middle class', who drive cars, own expensive electrical appliances and live in what are known as 'middle-class' housing estates, are the families of overseas contract labourers. But whatever the conceptual problems in defining the middle class, there is no doubting its growth. For instance, an occupational definition reveals that between 1960 and 1990, the proportion of professional, technical and administrative workers in the Philippine labour force grew from 3.3 per cent to 6.8 per cent. If clerical workers are included, the proportion also doubled, to 10.8 per cent.[83]

As indicated earlier, both the rise and fall of the Marcos regime underlined the growing importance of middle-class actors in Philippine political life. Since Marcos's overthrow, and its popular rendering as a middle-class revolt, there has been increased self-reflection in the Philippines on what have become known as the 'middle forces', in ambiguous reference to the growth of an objectively defined middle class, and a political orientation or capacity that lies somewhere between the right and the left.[84] While there are some grounds for arguing that this might be in keeping with the liberalism and democratising influence commonly attributed to the middle class elsewhere in the region,[85] such a conclusion is problematic, as is borne out by the fact that both Marcos authoritarianism and the revolutionary left were largely founded on middle-class leadership. A more plausible argument, supported by evidence from each of the three political periods examined in this chapter, is that the middle class has become increasingly independent and critical of the old landed oligarchy and the means by which it has maintained political and economic power. What is certain, though, is that the middle class is becoming increasingly a central arena of political discourse and contention. This has largely been made possible by virtue of the increased social power that capitalist development and the state have concentrated in the hands of formally educated administrators, managers and professionals. The proliferation of non-government organisations over the past decade and the influential position that they now occupy in the context of a decentred state, is a clear measure of the crucial middle-class presence in contemporary Philippine political life.[86]

PATRIMONIAL PLUNDER, CAPITALIST TRANSFORMATION AND THE NEW RICH IN THE PHILIPPINES

Tagged by some as 'the sick man of Asia' in a region of high economic growth and rapid industrialisation, the Philippines is commonly seen as a society that has undergone little fundamental change.[87] Of the various attempts to explain its malaise, the most sustained and persuasive focus is on the character of the Philippine elite and its relationship to the state. The broad consensus is that Philippine economic stagnation is largely the consequence of an entrenched oligarchy whose orientation and practices are rooted in a background of landed privilege and monopoly control over different areas of economic life. A weak patrimonial state provides the oligarchy not only with a means of political control over other layers within society, but also with a vehicle for private enrichment via particularistic rent-seeking activities. The social and economic reforms and capitalist entrepreneurial initiative necessary for 'newly industrialising' status thus remain blocked. One of the striking things about this argument is that, in one form or another, it comes from a range of political, intellectual and institutional perspectives: foreign and local academics, World Bank officials, the Ramos Government, and theorists associated with the activist left in the Philippines.[88]

The pattern of patrimonial plunder identified in this argument is clearly central to the nature of economic and political life in the Philippines. What is problematic in most versions of it, is the idea that it is ubiquitous and remains relatively unchanged and uncontested. The very range of critical analyses, and the powerful sources from which they come, are testimony to the mounting opposition that patrimonial plunder has aroused.

The process of capitalist transformation outlined in this chapter is taking place despite the system of patrimonial plunder, but also through it and in some ways because of it. While there is much about the *modus operandi* and landed privilege of the elite that remains the same, it is also the case that the elite has become more variegated, that its oldest leading families have diversified their economic interests to include capitalist enterprise, and that there is a growing bourgeoisie which includes among its numbers people who have risen from a background in the professional middle classes as well as in the Filipino–Chinese trading and artisanal community. To some extent these changes are acknowledged and incorporated into some versions of the patrimonial plunder theory. In one of the most insightful, Hutchcroft argues that as oligarchic interests diversified from agriculture to include commerce, manufacture and finance after 1946, so did particularistic access to the state become more rather than less important.[89]

Echoing Anderson, he argues that the rise and fall of Marcos authoritarianism simply represented a shift from decentralised to centralised patrimonialism and back again.[90]

Hutchcroft deviates from writers like Ferrer and Montes who equate these modes of rent-seeking behaviour with a society that is feudal or semi-feudal. Following Weber, Hutchcroft argues that they are indicative of a limited form of capitalist development: 'politically oriented capitalism', or 'capitalist wholesale trade'.[91] One of the main problems with this position, and that taken by most others who adopt the patrimonial plunder theory, is that they see rent-seeking as exclusive of, or predominant over, profit-seeking. Most thus fail to differentiate seriously between plunder and market advantage. It is partly the failure to make this distinction, as well as the lack of attention given to the changing systems of production, that allows these writers to render the elite, the state and indeed Philippine society as more or less unchanging. Clearly much of what took place under Marcos was a simple case of plunder, but, as has been pointed out, this cannot be said of a number of crony industries that benefited from state privileges, but which produced commodities through wage labour and capitalist discipline. The importance of this point is underlined by the arguments advanced in relation to a number of other countries in the region where corruption or privileged access to the state has been seen as crucial to the development of capitalism and economic growth.[92] The continued business success of many former Marcos cronies is testimony to the way in which state support in the Philippines has been vital in turning some people into capitalists. The same is true of those home market manufacturers who came into existence in the 1950s with the benefit of import protections. Although questions of industrial efficiency and competitiveness are clearly raised here, they are just as important in many established capitalist societies where powerful vested economic interests commonly seek out and win political advantage. This may give them significant competitive edge, but it does not necessarily explain the rationale of their enterprises in terms of rent-seeking.[93] Part of the problem in much of the literature and debate seems to be an implicit uncritical acceptance of the neo-classical economic model of the free market as an accurate representation of capitalist society.

A further difficulty with the 'patrimonial plunder' model is that it either ignores or fails to account adequately for the emergence of Filipino capitalists who have not benefited through particularistic access to the state, or, if they have in the past, no longer continue to do so. To varying degrees, this has been true of a great many who have successfully started up businesses since independence, though some have clearly been disadvantaged in relation to others with politically powerful patrons. What is striking since

the later years of the Marcos regime is the extent to which many such capitalists have sought the dismantling of cronyism and its replacement by a more predictable and even-handed polity. There is clear evidence that cronyism did not stop with Marcos, but it has been curtailed. Not only did the Marcos regime take cronyism to extremes, but it also succeeded in greatly discrediting it as a developmental model in the eyes of the broad population, including the non-crony business community, and also in the eyes of foreign bankers and investors. Given the escalation of patrimonialism's dependence on overseas funding sources under Marcos, foreign criticism and scrutiny is particularly crucial. Domestic opposition to the system has also come as a consequence of societal change, in part involving the development of corporate capitalism itself. In particular it has come increasingly from within the professional middle class, many of whose numbers now assume everyday managerial responsibility for the country's major business enterprises.[94]

The power of patrimonialism and the elements within the elite who stand to benefit from it, particularly those with constituencies outside the major cities, remains strong. Indeed, the system appears to be favoured by the nation's prevailing form of electoral democracy which, in much of the countryside at least, continues to rest heavily on personalised patronage rather than party politics and ideological contest. Yet there is clear evidence of mounting pressure against this system. Indeed, today the Congress and bureaucracy can be seen as settings in which a battle is being fought over the economic character of the state.

It is highly unlikely that particularism, patrimonialism and rent-seeking will be displaced, but indications are that they will increasingly lend themselves to the process of profit-seeking and capital accumulation. Whether or not this results in rapid economic growth remains to be seen, since there are many factors apart from patrimonialism that determine that possibility. As has been shown in this chapter, capitalist transformation is taking place in the Philippines despite the relative lack of economic growth. This transformation has resulted in new ways of accumulating wealth among sections of the old elite, but also among other layers of people who have risen to become part of the country's expanding bourgeoisie. In addition it has produced growing affluence in some sections of the middle class, and, through its linkages with the regional and global labour markets, it has also produced new wealth within a small section of the working class. Yet for many Filipinos, capitalist transformation has also produced new hardship and new poverty. These problems are not simply a consequence of patrimonial plunder, as some idealist readings of capitalist development might suggest, and there is no reason to believe that they will go away. The

Philippine experience of capitalist transformation amidst economic gloom may turn out to be less exceptional than, and just as instructive as, those that are interpreted through the prism of the Asia miracle.

NOTES

1 *Australian*, 29 November 1993, 12.
2 B. Anderson, 'Cacique Democracy in the Philippines', *New Left Review*, 169, 1988, 17.
3 B. Balassa, *Economic Policies in the Pacific Area Developing Countries*, London: Macmillan, 1991, 2; World Bank report cited in *Far Eastern Economic Review* (*FEER*), 18 August 1988, 39; see also *FEER*, 18 February 1993, 66.
4 V.B. Tolentino, 'Building Upon the Hard-Won Gains: The Imperatives for Sustainable Industrialization in the Post-Aquino Government', paper presented at the Fourth International Philippines Studies Conference, Australian National University, Canberra, 1–3 July 1992. President Ramos himself repeatedly refers to plans for 'economic take-off' (e.g. *FEER*, 10 December 1992, 29).
5 For the first view see Balassa, op. cit.; for the second see W. Bello and Stephanie Rosenfeld, *Development Debacle: The World Bank in the Philippines*, San Francisco: Institute for Food and Development Policy, 1990; for the third see B. Aquino, *Politics of Plunder: The Philippines under Marcos*, Quezon City: Great Books, 1987; and for the fourth see J. Fallows, 'A Damaged Culture', *Atlantic Monthly*, 260(5), 1987, 49–58.
6 Throughout this century there has been a steady stream of permanent labour migration from the Philippines, mainly to North America. Obviously a fuller account of capitalist transformation in the Philippines would focus more than this chapter does on the growth of wage labour.
7 V. Valdepenas and G. Bautista *The Emergence of the Philippine Economy*, Manila: Papyrus, 1977, 173–174.
8 A. Bennett, 'Managers and Entrepreneurs: A Comparison of Social Backgrounds in Philippine Manufacturing', in F. Lynch and A. de Guzman (eds) *Modernization: Its Impact on the Philippines*, Manila: Institute of Philippine Culture, Ateneo de Manila University Press, 1971, 101–140; J. Carroll, 'Filipino Entrepreneurship in Manufacturing', in F. Lynch and A. de Guzman (eds) *Four Readings on Philippine Values*, Quezon City: Ateneo University Press, 1973; Kunio Yoshihara, *Philippine Industrialization: Foreign and Domestic Capital*, Singapore: Oxford University Press, 1985, 90–100, 124–134.
9 A. Doronila, 'The Transformation of Patron–Client Relations and its Political Consequences in the Philippines', *Journal of Southeast Asian Studies*, 16, 1985, 103–105.
10 A. Doronila, 'Class Formation and Filipino Nationalism: 1950–1970', *Kasarinlan*, 2(2), 1986, 39–52; R. Snow, *The Bourgeois Opposition to Export-Oriented Industrialization in the Philippines*, Quezon City: The Philippines in the Third World Papers Series No. 39, Third World Studies Center, University of the Philippines, 1983; K. Machado, 'Changing Patterns of Leadership Recruitment and the Emergence of the Professional Politician in Philippine Local Politics', in B. Kerkvliet (ed.) *Political Change in the Philippines:*

Studies of Local Politics Preceding Martial Law, Honolulu: University Press of Hawaii, 1974.

11 D. Doeppers, *Manila 1900–1941*, Quezon City: Ateneo de Manila University Press, 1984, 51–83; Doronila, 'Class Formation', 41.

12 Snow, *Bourgeois Opposition*, 26–27.

13 Carroll, op. cit.; Yoshihara, op. cit., 124–134.

14 T. Nowak and K. Snyder, 'Economic Concentration and Political Change in the Philippines', in B. Kerkvliet (ed.), op. cit., 192.

15 D. Rosenberg (ed.), *Marcos and Martial Law in the Philippines*, Ithaca: Cornell University Press, 1979; A. Brillantes, *Dictatorship and Martial Law in the Philippines*, Quezon City: Great Books, 1987; A. Doronila, *The State, Economic Transformation and Political Change in the Philippines, 1946–1972*, Singapore: Oxford University Press, 1992.

16 See F. Marcos, *Revolution from the Centre*, Hong Kong: Raya, 1978; A. Magno, *Developmentalism and the 'New Society': The Repressive Ideology of Underdevelopment*, Quezon City: The Philippines in the Third World Papers Series No. 35, Third World Studies Center, University of the Philippines, 1983; M. Turner, 'Authoritarian Rule and the Dilemma of Legitimacy' *The Pacific Review* 3(4): 349–362.

17 For detailed treatment of the Lopez family see A. McCoy, 'Rent-seeking Families and the Philippine State: A History of the Lopez Family', in A. McCoy (ed.) *An Anarchy of Families: State and Family in the Philippines*, Madison: Center of Southeast Asian Studies, University of Wisconsin, 1993.

18 Also included among the cronies were a number of high-ranking military officers, although none ever rose to the same heights as figures like Cojuangco. There are a number of good studies that deal with the Marcos cronies. See J. Doherty, 'Who Controls the Philippine Economy? Some Need Not Try as Hard as Others', in B. Aquino (ed.) *Cronies and Enemies: The Current Philippine Scene*, Honolulu: Philippine Studies Occasional Paper Series No. 5, University of Hawaii, 1982; Snow, *Bourgeois Opposition*; Aquino, *Politics of Plunder*; G. Hawes, *The Philippine State and the Marcos Regime: The Politics of Export*, Ithaca: Cornell University Press, 1987; Kenji Koike, 'The Reorganization of Zaibatsu Groups under the Marcos and Aquino Regimes' *East Asian Cultural Studies*, XXVIII(1–4), 1989, 128–130; P. Hutchcroft, 'Oligarchs and Cronies in the Philippine State: The Politics of Plunder', *World Politics*, 43(3), 1991, 414–450; R. Manapat, *Some Are Smarter than Others: The History of Marcos' Crony Capitalism*, New York: Aletheia, 1991.

19 S. Haggard, 'The Political Economy of the Philippine Debt Crisis', in J. Nelson (ed.) *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World*, Princeton: Princeton University Press, 1990, 240–243.

20 Koike, op. cit., 128–129.

21 R. Doner, 'Politics and the Growth of Local Capital in Southeast Asia: Auto Industries in the Philippines and Thailand', in R. McVey (ed.) *Southeast Asian Capitalists*, Ithaca: Southeast Asia Program, Cornell University, 1992, 191–218.

22 S. Jayasuriya, 'The Politics of Economic Policy in the Philippines during the Marcos era', in R. Robison, K. Hewison and R. Higgott (eds) *Southeast Asia in the 1980s: The Politics of Economic Crisis*, Sydney: Allen & Unwin, 1987, 85.

23 Compare the following: R. Snow, 'Export-oriented Industrialization, the International Division of Labor, and the Rise of the Subcontract Bourgeoisie in the

Philippines', in N. Owen (ed.) *The Philippine Economy and the United States*, Michigan Papers on South and Southeast Asia No. 22, University of Michigan, 1983, 88; Jayasuriya, op. cit., 96.

24 Snow, 'Export-oriented Industrialization', 89–97; Snow, *Bourgeois Opposition*; G. Hawes, 'Marcos, His Cronies, and the Philippines' Failure to Develop', in R. McVey (ed.), op. cit., 157.

25 *FEER*, 12 July 1990, 34.

26 *FEER*, 25 April 1991, 58–59.

27 Snow, *Bourgeois Opposition*; *FEER*, 25 April 1991, 58–59; Jayasuriya, op. cit., 99.

28 R. Ofreneo and E. Habana, *The Employment Crisis and the World Bank's Adjustment Program*, Quezon City: Institute of Industrial Relations, University of the Philippines, 1987, 71.

29 R. Ofreneo, *Capitalism in Philippine Agriculture*, Quezon City: Foundation for Nationalist Studies, 1980; B. Fegan, 'The Philippines: Agrarian Stagnation under a Decaying Regime', in G. Hart, A. Turton and B. White (eds) *Agrarian Transformations: Local Processes and the State in Southeast Asia*, Berkeley: University of California Press, 1989.

30 See, for example, P. Krinks (ed.) *The Philippines under Aquino*, Canberra: Australian Development Studies Network, Australian National University, 1987; B. Kerkvliet and R. Mojares (eds), *From Marcos to Aquino: Local Perspectives on Political Transition in the Philippines*, Honolulu: University of Hawaii Press, 1992.

31 *FEER*, 12 July 1990, 40.

32 R. Dohner, 'Aquino and the Economy: An Assessment of the First Three Years', *Pilipinas*, 11, 1988, 26.

33 C. Banzon-Bautista, *The Protest Movement and the White Collar Workers of Makati*, Quezon City: Dept of Sociology, University of the Philippines, 1985; L. Angulo (ed.), *We Were There*, Manila: Concerned Staff Members of the Asian Development Bank, 1986; M. Pinches, 'People Power and the Urban Poor: The Politics of Unity and Division in Manila', in Krinks (ed.) op. cit.

34 Snow, *Bourgeois Opposition*, 35–39; Jayasuriya, op. cit., 107; Haggard, op. cit., 246; Hutchcroft, op. cit., 445.

35 On the decline of centralised state power see F. Nemenzo, 'The Withering Away of the Philippine State', paper presented to Asian Studies Association of Australia Conference, Singapore, February, 1989; J. Hutchison, 'Class and State Power in the Philippines', in K. Hewison, R. Robison and G. Rodan (eds) *Southeast Asia in the 1990s: Authoritarianism, Democracy and Capitalism*, St Leonard's: Allen & Unwin, 1993, 193–212.

36 See, for example, A. McCoy, 'The Restoration of Planter Power in La Carlotta City', in Kerkvliet and Mojares (eds) op. cit.; two recent studies on the makeup of Congress since 1986 conclude that the great majority of those elected were from established 'political clans' (E. Gutierrez, I. Torrente and N. Narca (eds) cited in A. McCoy, '"An Anarchy of Families": The Historiography of State and Family in the Philippines', in A. McCoy (ed.) op. cit.; see also *FEER*, 12 May 1994, 25).

37 M. Pinches, 'Philippine Re-democratisation: Change and Stability', *Asian Studies Review*, 17(1), 1993, 92–99.

38 R. Tiglao, 'Corporate Cabinet', *FEER*, 9 July 1992, 11; R. Tiglao, 'The New Hands on the Helm', *FEER*, 3 September 1992, 38; R. Tiglao, 'Opposing the Oligarchs', *FEER*, 6 May 1993, 46.

39 *FEER*, 3 June 1993, 70; R. Tiglao, 'Seeing the Light', *FEER*, 3 September 1992, 33–37.
40 F. Ramos, 'Philippines 2000: Blueprint for Development', State of the Nation Address, *Philippine Newsletter* (Philippine Embassy, Canberra), 7(3), 1993, 1–12. Although many in the organised left are critical of the Philippines 2000 programme, it has also received qualified support (see Institute for Popular Democracy, 'NIC-Hood by the Year 2000', *Conjuncture*, VI(3), 1993, 1–3).
41 F. Ramos, 'A Day of Hope, A Call to Duty', Independence Day Speech, *Philippine Newsletter* (Philippine Embassy, Canberra), 7(2), 1993, 4.
42 Manapat, op. cit., 537–617.
43 *FEER*, 28 January 1993, 52–53; 30 December 1993, 84.
44 Tiglao, 'Opposing the Oligarchs', 44–50.
45 *FEER*, 8 August 1991, 62–63; 15 April 1993, 48–50; 17 June 1993, 4; 9 December 1993, 73; 30 December 1993, 84.
46 *FEER*, 22 March 1990, 49; 12 July 1990, 48; 18 March 1993, 45, 48; 22 July 1993, 66–68; E. Tapaon, 'Calabarzon: Wholesale Problems, Retail Solutions', *Solidaridad*, 14(3), 1992, 15–22.
47 B. Villagas, 'The Philippine Economy', in *Southeast Asian Affairs*, Singapore: Institute of Southeast Asian Studies, 1991, 243.
48 FEER, *Asia Yearbook 1989*, Hong Kong, 210.
49 *FEER*, 12 July 1990, 38–39.
50 In the three-year period to 1990, Manila residential values rose by 350 per cent (*FEER*, 30 April 1992, 45–46).
51 R. Tiglao, 'The Philippine Paradox', *FEER*, 12 July 1990, 34, 10 January 1991, 17–18; Villegas, op. cit., 243.
52 In 1990 their remittances totalled about US$2 billion or 5 per cent of GNP (*FEER*, 12 July 1990, 34). In 1991 there were nearly one million overseas contract workers supporting about 10 per cent of the Philippine population (*FEER*, 5 September 1991, 17).
53 *FEER*, 3 January 1991, 47.
54 *FEER*, 10 June 1993, 46; 24 June 1993, 60–61.
55 Tiglao, 'Philippine Paradox', 31–34; R. Tiglao, 'Power to the Plutocrats', *FEER*, 12 July 1990, 40–41.
56 Tiglao, 'Philippine Paradox', 31.
57 Tiglao, ibid., 31–33.
58 *FEER*, 3 June 1993, 69–70; 12 August 1993, 62–64.
59 Tiglao, 'Philippine Paradox', 33. It is evident that cronyism continues to be practised under the Aquino and Ramos governments but to a much more limited extent than was the case under Marcos. See J. Faustino, 'Staking a Claim: The State and Dominant Classes under the Aquino Regime', paper presented at the Fourth International Philippines Studies Conference, Australian National University, Canberra, 1–3 July 1992, *FEER*, 7 July 1988, 88–93; McCoy, '"An Anarchy of Families"', 19.
60 Koike, op. cit., 133; Tiglao, 'Power to the Plutocrats', 41; *FEER*, 11 October 1990, 84; 19 September 1991, 79; 2 December 1993, 67.
61 The Sorianos, another leading family dating back to the Spanish era, control a conglomerate that includes some of the country's largest companies active in beverage and food manufacture, mining, paper production, agribusiness and property development. While they have diversified their activities since

Aquino took office, their interests suffered during the Marcos era and they have recently lost ground through takeover bids on their major companies by two former cronies and by others whose corporate power expanded under Aquino (Koike, op. cit., 136–140; R. Tiglao and R. Friedland, 'One Family, Two Fates', *FEER*, 11 May 1989, 64–69; 13 February 1992, 38–39; 19 November 1992, 56–58).

62 While Filipino–Chinese entrepreneurs have generally been the most successful capitalists whose businesses have risen to national prominence under Aquino, there are a number of others. One is former Trade and Industry Minister Jose Concepcion, whose family's business started with food manufacture in the 1950s protection era, almost collapsed during the Marcos period and expanded and diversified under Aquino. Concepcion has been one of the most strident supporters of protection and through the Makati Business Club was a strong opponent of the Marcos regime (Koike, op. cit., 133–134; *FEER*, 22 March 1990, 47–8).

63 Snow, *Bourgeois Opposition*, 21; R. Tiglao, 'Gung-ho in Manila', *FEER*, 15 February 1990, 70–71. Nevertheless, since the 1950s Chinese Filipinos have been active in most areas of investment (Yoshihara, op. cit., 82–107).

64 *FEER*, 30 June 1988, 58; Tiglao, 'Philippine Paradox', 34; Tiglao, 'Gung-ho in Manila', 68.

65 Yoshihara, op. cit., 89–90.

66 *FEER*, 24 December 1992, 22; 13 May 1993, 22; 16 September 1993, 26.

67 Tiglao, 'Gung-ho in Manila', 68.

68 Tiglao, ibid., 70; R. Tiglao, 'The Next Blue Chips', *FEER*, 2 December 1993, 66–68.

69 Tiglao, 'Gung-ho in Manila', 68–72. One of the most spectacular investments in Manila real estate is the US$250 million Asiaworld project of a third prominent Chinese business figure, Tan Yu. In the early 1970s Tan Yu was a textile manufacturer who later made a fortune from property development in Taipei (*FEER*, 12 July 1990, 44).

70 R. Tiglao and J. McBeth, 'Provincial Power', *FEER*, 7 December 1989, 64–65; R. Tiglao, 'All that Glistens is not Manila', *FEER*, 12 July 1990, 47–48; R. Tiglao, 'Pioneer Spirits', *FEER*, 28 November 1991, 62.

71 *FEER*, 10 June 1993, 49. One study that examines medium-scale enterprise outside Manila is R. Rutten, *Artisans and Entrepreneurs in the Rural Philippines: Making a Living and Gaining Wealth in Two Commercialized Crafts*, Amsterdam: VU University Press, 1990.

72 *FEER*, 2 May 1991, 46.

73 J. Hutchison, personal communication.

74 *FEER*, 24 May 1990, 80.

75 *FEER*, 24 June 1993, 60–61.

76 R. Tiglao, 'New Upwardly Mobile Tycoons', *FEER*, 2 September 1992, 44–45. McVey makes this point for the whole of Southeast Asia (R. McVey 'The Materialization of the Southeast Asian Entrepreneur', in McVey (ed.) op. cit., 26).

77 Haggard, op. cit., 246–247; *FEER*, 14 January 1988, 20; 12 August 1993, 15–16; see note 39 above.

78 *FEER*, 3 February 1994, 36.

79 Following Wright, the position of many salaried professional managers may be conceived of in terms of contradictory class locations between new middle

class and bourgeoisie (E. O. Wright, *Classes*, London: Verso, 1985, ch. 2). A schematic attempt to use this framework in the Philippines is E. Lallana, 'An Alternative Conception of Philippine Class Structure', *Philippine Journal of Public Administration*, XXXI(3), 1987, 309–335.

80 H. Crouch, *Economic Change, Social Structure and The Political System in Southeast Asia: Philippine Development Compared with other ASEAN Countries*, Singapore: Institute of Southeast Asian Studies, 1985, 32.

81 See Republic of the Philippines, *Philippine Statistical Yearbook*, Manila, 1978, table 9.3; Republic of the Philippines, *Philippine Statistical Yearbook*, Manila, 1991, table 13.2.

82 Some of these problems are discussed in relation to the Philippines in M. Turner, 'Imagining the Middle Class in the Philippines', paper presented at the Fourth International Philippines Studies Conference, Australian National University, Canberra, 1–3 July 1992. For Indonesia see R. Tanter and K. Young (eds), *The Politics of Middle Class Indonesia*, Clayton: Centre of Southeast Asian Studies, Monash University, 1990.

83 Burris looks at the middle class in terms of these occupational categories for East Asia (V. Burris, 'Late Industrialization and Class Formation in East Asia', paper presented at the conference on Emerging Social Forces in Asia, Asia Research Centre, Murdoch University, 5–8 September 1991). The Philippine data come from: ILO, *Yearbook of Labour Statistics*, Geneva, 1971, table 2; ILO, *Yearbook of Labour Statistics*, Geneva, 1991, table 2.

84 For one example of some of this self-reflection see A. Maramba, *View From the Middle*, Pasig: Anvil, 1991.

85 For example: Hagen Koo, 'Middle Classes and Class Formation in South Korea', paper presented at the conference on Emerging Social Forces in Asia, Asia Research Centre, Murdoch University, 5–8 September 1991.

86 A. Brillantes, 'Local Governments and NGOs in the Philippines: Development Issues and Challenges', paper presented at the Fourth International Philippines Studies Conference, Australian National University, Canberra, 1–3 July 1992; S. Rood, 'The State and Non-Government Organizations', paper presented at the Fourth International Philippines Studies Conference, Australian National University, Canberra, 1–3 July 1992.

87 The tag is to be found, for instance, in the pages of the *FEER*.

88 Anderson, op. cit.; Hutchcroft, op. cit.; McCoy, '"An Anarchy of Families"'; Ramos, 'A Day of Hope'; Tiglao 'Opposing the Oligarchs', 46; R. Ferrer, *On the National Bourgeoisie in the Philippines: An Empirical Study*, Quezon City: Research Conference Board, 1988; R. Ferrer and M. Montes, 'Macroeconomic Aspects of the Mixed Economy', in E. de Dios and L. Villamil (eds) *Plans, Markets and Relations: Studies for a Mixed Economy*, Manila: Kalikasan Press, 1990, 9–60; K. Yoshihara, *The Rise of Ersatz Capitalism in South-East Asia*, Quezon City: Ateneo de Manila University Press, 1988; *FEER*, 15 April 1993, 26–27.

89 Hutchcroft, op. cit.

90 Anderson, op. cit.; Hutchcroft, op. cit.

91 Hutchcroft, ibid., 441.

92 R. Robison, *Indonesia: The Rise of Capital*, North Sydney: Allen & Unwin, 1986.

93 Doner and McVey also draw attention to the problems in distinguishing between rent-seeking and capitalist entrepreneurship (R. Doner, 'Approaches

to the Politics of Economic Growth in Southeast Asia', *Journal of Asian Studies*, 50(4), 1991, 824; McVey, op. cit., 8).

94 In accounting for the emergence of Marcos authoritarianism, Anderson (op. cit., 18–19) notes the vulnerability of what he calls cacique democracy to the escalating monetary cost of elections and the growth of an educated middle class. However, these considerations seem to be absent in his treatment of the post-Marcos period.

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Thailand

GENERAL

Land area	514,000 sq. km
Population (mid 1992)	58.0 million people
Nominal GDP (1992)	US$110,337 million
share of agriculture	39%
share of industry	28%
share of manufacturing	12%
share of services	49%
Average annual GDP growth rate (1980–1992)	8.2%
GDP per capita (1992)	US$1,902
GNP per capita (1992)	US$1,840
Monetisation level (broad money [M2] as % of GDP; 1992)	71.5%
Average annual growth rate of M2 (1980–1992)	19.2%
Central government budget surplus or deficit as % of GNP (1992)	+ 3.0%
Current account surplus or deficit (after official transfers; 1992)	– US$6,682 million
Merchandise trade surplus or deficit (1992)	– US$7; 993 million
Gross domestic savings as % of GDP (1992)	35%
Gross domestic investment as % of GDP (1992)	40%
Tax revenue as % of GNP (1991)	19%
Total external debt (1992)	US$39,424 million
Percentage of population of working age (15–64; 1990)	63.4%
Number of students in higher and university education	1.0 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US$5,270
Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1988)*	8.3

Percentage of urban population (1992)	23%
Total employment (1992)	30.8 million
of which professional, technical workers	3.3%
of which administrative, managerial workers	1.4%
of which clerical, sales, services workers	15.2%
of which agriculture, production, transport workers and equipment operators	80.0%
Gross tertiary enrolment ratio (1990)**	15.7
Life expectancy at birth (1992)	68.7 years
Population with access to safe water (1988–1991)	76%
Total consumer expenditure (1992)†	US$60,477 million
share of food, drink and tobacco	33.6%
share of clothing and footwear	12.7%
share of housing and fuels	8.1%
share of household goods and services	8.0%
share of health	7.6%
share of leisure and education	11.3%
Per capita energy use (oil equivalent; 1992)	614 kg
People per telephone (1988)	54.2
People per TV (1990)	9.0
People per doctor (1989)	4,342.8
Per capita consumption of beef (1991)	4.6 kg
Per capita consumption of poultry (1991)	5.8 kg
Per capita consumption of fish (1991)	36.9 kg
Per capita consumption of soft drinks (1992)	27.2 litres
Book titles published (1990)	6,291

Notes:
* Data refer to expenditure shares by fractiles of persons, ranked by per capita income.
** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
† The percentage figures for consumer expenditure are on selected items only.

Sources:
Euromonitor, *International Marketing Data and Statistics*, 1994
ILO, *Yearbook of Labour Statistics*, 1993
The World Bank, *World Development Report*, 1994
UNDP, *Human Development Report*, 1994

6 Emerging social forces in Thailand

New political and economic roles

Kevin Hewison

In May 1992 Bangkok witnessed its worst political violence since October 1976. Before most Thais had even seen the evidence of this example of military brutality – censorship was imposed – the rest of the world was told that this was a 'middle-class' revolt. The image was of the demonstrators in Bangkok as middle-class protesters, with the Volvo or Mercedes Benz parked nearby and mobile phone in hand, challenging armed troops. The implication of much of the reporting was that political chickens were coming home to roost; very rapid economic development and 'free markets' were seen to have given rise to an expanding and increasingly wealthy urban middle class which had decided that it wanted a political voice. The military's attempt to maintain control of the political agenda was viewed as an effort to prevent this quest for greater representation.

This perspective, albeit in rather more sophisticated forms, has emerged in recent academic literature on democratisation. To simplify a complex debate, the consensus among liberal and pluralist writers seems to be that economic development will see the emergence and consolidation of business and middle classes, and that this will result in an expanded political pluralism. The emergence of a middle class and a technically educated population is important to this analysis, being seen to create new centres of power and a greater receptiveness to liberal and democratic ideals.[1]

In Marxist theory, the equation of capitalist development with a more advanced civil society is also present, especially in Gramsci's work. Working within this tradition, Girling refers to economic growth leading to a corresponding expansion of the 'intermediate' forces of civil society (professionals, intellectuals and organisers) forming a new layer of society, liberated from both the power of elites and the weight of a powerless peasantry. He argues that these intermediate groups create pressures 'for the development of representative institutions enabling the "new social forces" to take part in decisions affecting them'.[2] The argument is that a

strong capitalism is a necessary prerequisite for the emergence of civil society and democracy, even if the direction of political change is viewed in more problematic terms than is the case for liberal and pluralist theorists.

Whether one agrees with these interpretations or not, it remains clear that the middle class and 'new social forces' are seen to carry much of the weight of history on their seemingly ever-broadening shoulders.[3] Indeed, a number of academics took up this theme in examining the events of May 1992 and their implications.[4] The emphasis on the role of the middle class was apparently justified by remarkable data collected by the Social Science Association of Thailand *during* these violent demonstrations. The data show that two-thirds of the demonstrators had academic degrees, that 60 per cent worked in the private sector, and that 86 per cent had incomes in excess of 5,000 baht per month, with half of this group having an income in excess of 10,000 baht.[5] Such evidence appears to support academic studies that have confirmed the increasing political influence of non-state political and economic forces.

Anek has argued that the bureaucratic polity – a term used by Riggs in his classic study of Thai politics to refer to a political system dominated by the bureaucracy – is dead, being replaced by what he calls 'liberal corporatism'.[6] Even those who have rejected the theoretical utility of the bureaucratic polity model agreed that economic power was conferring considerable political influence upon emerging social forces epitomised by capitalists and the middle class.[7]

What appears to have happened in Bangkok, and other urban centres, is that people who may be identified as 'middle class' or as representing 'new social forces' are increasingly casting their authority over both economic and political activity. In the past, challenges to state authority and calls for the opening of political space could easily be labelled 'communist', 'subversive' or 'alien'. For the first time there is an opposition that cannot be similarly portrayed as illegitimate, and this makes it a particularly potent challenge to the 'old order'.

The following sections will examine this trend through a discussion of four related issues: first, the nature of Thailand's economic development through the debate that emerged in the late 1980s concerning the country's drive for promotion to the ranks of the newly industrialising countries (NICs); second, the recent expansion of the middle class and other new social forces; third, the significance of consumerism in contemporary Thailand; and finally, some comments will be made regarding the political implications of the emergence of 'new social forces'.

ON BECOMING AN NIC

Roughly coinciding with the period of Chatichai Choonhavan's elected government, from 1988 to its overthrow by a military coup in February 1991, a curious debate consumed Thailand. The burning issue was the meaning of the country's apparently imminent rise into the ranks of the NICs. Some of the questions raised were as follows. What did it mean to be an NIC? Would Thailand measure up? What were the remaining obstacles to NIC-dom? Were Thais adequately prepared to be the good citizens, workers, agriculturalists and managers of an NIC?[8]

Economists devoted considerable energy to debating what an NIC report card might look like, and it was generally agreed that the achievement of NIC status required rapid industrialisation and sustained and high economic growth.[9] Considering the data in Table 6.1, it can be seen that Thailand is indeed surging its way towards this elite economic club.

Table 6.1 shows that the economy is increasingly oriented to the commercial and industrial sectors. For example, it has been estimated that by the year 2000, industry and services will employ some 42 per cent of a total workforce of almost 40 million. This represents a significant change, up from just 18 per cent in 1965 and 34 per cent in 1987. In addition, manufacturing exports have risen from 32 per cent of total exports in 1980 to almost 77 per cent by 1992.[10] There can be no argument – Thailand is undergoing an extensive capitalist revolution, and it is a revolution that is irreversibly changing the face of Thai society, seemingly at an ever-accelerating rate. Table 6.2 indicates the increasing complexity of Thailand's capitalist society.

NIC-DOM: WHO WINS?

Whatever definition one chooses, an NIC is generally conceived of as a rapidly expanding economy which has reached a level of industrialisation that positions that economy for the leap into the ranks of the 'developed'. All of the economies currently identified as 'developed' or as NICs or near-NICs have adopted the economic and social arrangements that can be characterised as capitalist. As noted above, Thailand is one of these capitalist countries. Therefore, it is to risk a tautology to state that capitalists are among the significant winners.

Capitalists, who make up only a small percentage of the population, are firmly in control of the economic base of society, and there is no doubt that the economy and state may be characterised as capitalist. However, it needs to be remembered that the state has yet to be transformed into a thoroughly

Table 6.1 Thailand: economic growth

	1986	*1987*	*1988*	*1989*	*1990*	*1991*[a]
GDP in billion baht	1,095	1,253	1,507	1,776	2,051	2,332
Sectoral shares (%)						
Agriculture	16.3	16.4	16.6	15.0	12.4	11.8
Industry[b]	37.2	37.1	36.9	37.6	39.2	40.4
Manufacturing	23.6	23.9	24.8	25.5	26.1	26.6
Trade & services	46.5	46.5	46.5	47.4	48.4	47.8
GDP at 1972 prices (in billion baht)	413	453	512	574	632	679
Growth rates (%)						
Overall	4.9	9.5	13.2	12.0	10.0	7.5
Agriculture	0.3	–0.2	10.2	6.6	–1.8	2.8
Industry	7.7	11.9	16.2	15.5	14.8	13.0
Manufacturing	10.8	13.3	16.8	14.9	13.7	10.0
Trade & services	4.6	11.6	11.8	10.9	9.8	5.4

Notes: [a] 1991 figures are revised estimates.
[b] Industry comprises value added in mining, water and electricity, manufacturing, and construction.

Source: Board of Investment, *Key Investment Indicators of Thailand*, Bangkok: Office of the Prime Minister, 1991 and 1992 edns.

bourgeois one, as the capitalist class has yet to fully establish its political control over the state's apparatus and its cultural and legal hegemony. Capitalists are now the dominant class in contemporary Thai society.[11] The emergence of the capitalist class has not been a simple process of evolution. To summarise the research, there would appear to have been three phases in the development of this class.[12]

First, in a period of initial accumulation under the absolute monarchy, capitalists emerged from the royal family and aristocracy, from Chinese and European traders, and from those (overwhelmingly Chinese) who worked as the tax 'agents' of the administration. These groups invested in milling, light manufacturing, commerce and services, but remained tied to mercantilist activities and, with the significant exception of the monarchy, very few of these capitalists appear to be important today.

Table 6.2 Increasing complexity in Thai society

Population	38 m (1970)	58 m (1993)
Labour force	27 m (1986)	32 m (1991)
Population growth rate	3.3% (1970)	1.3% (1992)
Per capita income	16,000 baht (1982)	44,095 baht (1991)
GNP per capita	20,377 baht (1986)	43,484 baht (1991)
Registered motor vehicles	692,738 (1970)	7,964,969 (1991)
Tertiary students	55,315 (1970)	423,976 (1990)
Registered unions	~200 (1978)	713 (1990)
Newspapers	22 (1968)	74 (1992)
Magazines	n.a.	420 (1990)
Radio stations	105 (1970)	462 (1992)
TV channels	5 (1968)	13 (1992)

Sources: *Statistical Yearbook Thailand* (various issues); *The Bangkok Post*, 1 May 1990; Board of Investment, *Key Investment Indicators*, 1991 edn; Ogilvy & Mather, *Pocket Guide to Media in Thailand 1991*, Bangkok: Ogilvy & Mather, 1991; Family Health Division, *Basic Facts in Family Health in Thailand*, Bangkok: Department of Health, Ministry of Health, 1984; and Lintas, *Media Guide 1993*, Bangkok: Lintas Thailand, 1993.

A second phase saw a range of Chinese and Sino-Thai tycoons emerge from the ranks of petty traders and the labouring classes, especially since the Second World War, to take control of the country's economy. In a multitude of Chinatown rags-to-riches stories, these people moved into agriculture, trading, finance and then manufacturing, eclipsing the previous generation of capitalists. Much of their initial wealth came from financing trade. However, their heyday was in the decades of the 1960s and 1970s as Sino-Thai conglomerates were established, often based around a bank, but investing in and lending to the expanding manufacturing sector, especially in import-substituting industry. Today they remain powerful, controlling the giant commercial banks, and with a substantial stake in agro-industry and manufacturing.

The third phase, beginning in the late 1970s, has seen the rapid emergence of a new generation of capitalists. This group have emerged from economic growth, are well educated, often from business families, increasingly identifying themselves as Thai, and are national and international in orientation. They appear to be investing in growth and technology. That is, while many have made conspicuous fortunes from land and construction deals and from stock manipulation and speculation, many have also moved quickly into higher technology and higher value-added manufacturing, as

well as a range of services. Many in this group distinguish themselves from their predecessors, arguing that the bankers held them back, being unwilling to fund their ventures. They were able to emerge from this situation with the further development of the Stock Exchange and through international financing as Thailand's foreign exchange market was liberalised through the 1980s and 1990s.

Capitalists, either as individuals or as a class, have long had significant political influence, but in recent years this has been increasingly formalised as interest-based lobbying, where business has become a significant player. In 1987, there were more than 200 Bangkok-based trade associations and chambers of commerce. Significant also has been the rapid expansion of provincial chambers. In 1979 there were 4 of these, but by 1987 there were 72. Although the formation of these chambers had government support, there is a stated determination to make them independent associations.[13]

However, business is not merely an interest group. In its relations with state officials, through its economic power, and by its formal and informal organisations, business has become a predominant power. State officials may not like it, but they now understand that capitalists have aggregated tremendous power for their class. State economic policy clearly and unambiguously reflects this.[14] At least publicly, business has indicated that it is generally pleased with its increased economic and political power.

But capitalists have not been the only winners. Many others have been 'freed' to become wage labourers – that is, 'freed' from rural life, its obligations and the means of production in agriculture. There is no doubt that the conditions faced by millions of workers in Thailand are Dickensian; one has only to look at the slums, brothels and sweatshops. At the same time, however, selling one's labour may well be profitable when compared with the declining role of peasant commodity production. Indeed, despite the perception of Thailand as a low-wage country, its workforce is currently attracting huge numbers of illegal workers from neighbouring countries.[15]

Capitalists and workers are seen as the historical classes of the capitalist mode of production, but the emergence of a middle class has also been significant. This class has certainly benefited from the development of capitalism, especially since the 1960s, and has become politically and economically significant in recent years.

THE MIDDLE CLASS

As already noted, the political role of those defined as 'middle class' has been expanding in Thailand. Perhaps more significant, however, has been the expansion and changing nature of the economic roles usually associated

with this class. As will be explained below, the requirement for middle-class skills has mushroomed in recent years. However, the middle class remains notoriously difficult to define and disaggregate, encompassing a range of professionals, public and private bureaucrats and the self-employed. In essence, it is a residual class category, although it is one of significance. For example, writing of the economic role of the middle class, Marx noted that 'an industrial army of workers under the command of a capitalist requires, like a real army, officers (managers) and N.C.O.'s (foremen, overseers), who command during the labour process in the name of capital. The work of supervision becomes their . . . function'.[16] The successful servicing of contemporary capitalism requires not only supervisors, but an ever-expanding range of professionals and semi-professionals – engineers, computer technicians, nurses and the like.

In Thailand, however, this has historically been a relatively small demand. The growth of this class is generated out of expanded capitalist production, which sees ever more complex tasks associated with increasingly diverse domestic and global accumulation strategies. Table 6.3 indicates the significant percentage increases in those categories that may be considered to approximate a middle-class category – professional and technical, administrative, executive and managerial, clerical, services and sales – from about 10 per cent of the economically active population in 1960, to 21 per cent in 1986. Of course, the increase in absolute numbers has been great, from about one million in 1960 to over five million by the end of the 1980s.[17]

Table 6.3 Work status of the economically active population in Thailand, 1960 and 1990 (%)

Category	*1960*	*1990*
Professional and technical	1.3	3.3
Administrative, executive and managerial	0.2	1.5
Clerical	1.1	2.8
Sales	5.3	8.7
Service industries	2.0	6.3
Agriculture and fishing	82.3	64.0
Production and related workers	7.1	13.2
Other	0.7	0.1

Sources: *Statistical Yearbook, Thailand, 1967–1969* and *Statistical Yearbook, Thailand, 1992*.

Table 6.4 Employees with secondary and higher education in professional, administrative and clerical employ, 1970–1991

	1970	*1981*	*1991*
Government employees – number ('000s)	520.1	869.3	1,229.8
As a % of total	76.4	61.4	48.0
Private employees – number ('000s)	161.0	545.9	1,331.8
As a % of total	23.6	38.6	52.0
Total number ('000s)	681.1	1,415.2	2,561.6
Percentage	100.0	100.0	100.0

Source: Pasuk Phongpaichit and Chris Baker, unpublished manuscript, Bangkok, 1993, ch. 10, 5.

Until the late 1950s the demand for workers from these middle-class categories was quite low.[18] In the early stages of capitalist development, when trade and its finance were the dominant economic activities, the demand for clerks and professionals in the private sector was limited. It was only in the centralising state that there was significant demand. However, as industrial development expanded and urban society grew, the demand for professionals and other middle-class employees mushroomed, both in government employ and the private sector. In 1937 there were less than 50,000 professionals listed in the national census, but this increased to over 354,454 (23 per cent female) in 1960 and to 2.35 million (46 per cent female) in 1990.[19] The expansion of the role of women is noticeable, and as Table 6.4 indicates, a significant change has been the expansion of private sector employment, with this sector now employing the majority of well-educated middle-class workers.

For the middle class, education has been of great significance. Anderson notes the importance of tertiary education, stating that the traditional education system 'helped to conserve its constituents in their existing social and economic positions. Western-style higher education gave polish to those already born to rule.'[20] This began to break down in the 1960s, and had been demolished by the early 1970s, when the bureaucracy could no longer absorb all graduates. By the mid 1980s, the university system had been oriented away from its traditional concerns, and was producing the technicians of capitalist society – that is, the new, educated middle class.

Secondary and tertiary education expanded at a remarkable rate during the 1960s, with tertiary enrolments up from about 15,000 in five state universities in 1961 to 100,000 in seventeen state universities in 1972.[21] By

1990, there were more than 360,000 students enrolled in thirty to forty state and private universities. The result was that while in 1970 there were about 185,000 tertiary graduates in the workforce, by 1991 this had mushroomed to about 1.8 million.[22]

Thailand's economic base has expanded and become increasingly complex, demanding a diverse range of human resource skills. Recently this has led to significant shortages – for example, the demand for engineers is far greater than universities can graduate them, while for computer engineers demand was estimated to increase by more than 2,700 per cent between 1987 and 1997.[23] This unmet demand means that not only are middle-class salaries increasing, but there is also some loosening of the political and ideological nexus between the middle class and their capitalist employers, at least for the time being.

Thailand's capitalists have not been slow to recognise the necessity of having professional and technical skills in good supply and have been in the forefront of the expansion of education (profitable in itself), and in demanding increased state support. They have also noted other significant advantages in promoting the growth of a middle class. As the Bangkok Bank's executive board chairman noted in 1988, a strong middle class brought 'with it, . . . better-developed and disciplined human resources and the capacity to develop indigenous technologies to continuously strengthen Thailand's competitive edge'.[24] This is obviously an important issue, as is the 'servicing' nature of the middle class, but capitalists identify another benefit from the emergence of a free-spending middle class – they are also significant consumers, as will be discussed below.

Capitalists and the middle class are likely to continue to make gains if Thailand's rapid socioeconomic transition continues. But, there are also some losers being identified.

WHO ARE THE LOSERS? PROBLEMS OF RAPID INDUSTRIALISATION

Traditionalist and radical commentators alike have been critical of the transformations taking place in Thai society. They have pointed to a range of problems including: cultural disintegration; the breakdown of the traditional family; illicit drug use; rampant prostitution; the increased number of street urchins; the decline of religious values in the face of materialism; and rising suicide rates. All are seen to be indicators of social problems associated with rapid capitalist industrialisation.[25] In addition, the exploitation of workers is often brutal, as demonstrated by the tragic Kader doll factory fire, which resulted in some 200 deaths in May 1993.

It has been suggested that while these problems certainly exist, they should not be laid at the door of the market economy and industrialisation.[26] Indeed, the argument has been that such problems do not result from growth, but are a consequence of poor social and political decision-making.[27] In recent years, however, even within the dominant economic discourse of growth-at-almost-any-cost, there has been a belated recognition of some of the problems identified by social critics. Perhaps most significant among these have been income and wealth disparities.

Thailand has seen significant increases in per capita incomes – from about 18,000 baht in 1983 to 32,000 baht in 1989, and projected to increase to 71,000 baht by 1996 – and real reductions in absolute poverty. However, it is now clear that urban dwellers have done far better than their rural cousins, and that the rate of poverty reduction is now negligible, despite more than thirty years of uninterrupted economic growth.[28] Table 6.5 indicates how the wealthy have improved their position over the last decade, while Table 6.6 shows that distribution is badly skewed against rural people.[29]

This pattern of income and wealth disparity is further illustrated when regional productivity is compared (see Table 6.7), where Bangkok again dominates. Most industry is clustered in and around the capital, making the area highly productive. Generally, as distance from the centre increases and agricultural activities become more significant, the contribution to GDP decreases. This is especially noticeable for the northeast, the most populous region, where incomes are lowest. The northeast suffers chronically low incomes. Here, villagers can be seen exchanging pariah dogs (to be used for meat) for plastic buckets. For most northeasterners, life, while improving, is still a struggle, and villagers bemoan their lack of participation in

Table 6.5 Wealth distribution, 1975/6 and 1987/8

Wealth	*% of wealth to each group*	
	1975/6	*1987/8*
Top 20%	49.3	54.9
Bottom 20%	6.1	4.5

Source: National Economic and Social Development Board (NESDB), *The Seventh National Economic and Social Development Plan (1992–1997)*, Bangkok: NESDB, 1992, 99.

Table 6.6 Distribution of monthly household incomes, 1990

Monthly household income (in baht)	*Nationwide %*	*Bangkok %*	*Urban upcountry %*	*Rural villages %*
<4,000	65.9	13.3	30.8	78.6
4,000–7,999	20.4	29.8	38.7	17.0
8,000–12,499	7.7	23.5	20.5	3.7
12,500–19,999	3.2	16.8	6.0	0.5
>20,000	2.8	16.6	4.0	0.2

Source: Ogilvy & Mather, *Pocket Guide to Media in Thailand 1991*, Bangkok: Ogilvy & Mather, 1991, 4.

development of the near-NIC. Millions of them migrate in search of wage-labour throughout Thailand, and especially to Bangkok; tens of thousands more work overseas.

In part, this increased inequality has been a result of the assiduous exploitation of the agricultural sector. Government policy ensured that agricultural surpluses were used to fuel industrial development, through taxation and pricing policies, and through the provision of cheap labour from the provinces to urban areas. Few governments have put much effort into agricultural development, and improvements in output have been through increases in the area under cultivation rather than from improved productivity.

These distributional issues came into sharp focus for technocrats during negotiations over the Seventh National Economic and Social Development

Table 6.7 Regional productivity, 1989

Region	*% of population*	*% of GDP*
Bangkok	16.0	48.2
Central	16.8	18.4
Northeast	34.6	12.9
North	19.4	11.4
South	13.2	9.1

Source: Thailand Development Research Institute, *Thailand Economic Information Kit*, Bangkok: TDRI, 1992 edn.

Plan (1992–1996).[30] Advisers, including those from the World Bank and local academics, began to paint an increasingly bleak picture of inequality, and suggested that it might lead to social conflict. This came as a shock to those who had continued to believe that growth would solve all social ills. To address this issue it was belatedly agreed that the rural sector's problems had to receive concerted policy attention.

However, for the rural losers, the new policy focus offers little consolation for government planners perceive agriculture's basic problem to be a lack of commercialisation. Hence, policy aims at the promotion of agro-industry over small peasant farming. Agro-industry is seen as innovative, as having capital to invest and as being research and technology oriented. This is in line with a general belief that the small-scale farmer is an anachronism as industrialism and urbanism march ever onward.

The Seventh Plan's recognition of income and wealth distribution problems took these issues beyond basic welfare questions, and resulted in three aims: first, to sustain economic growth while maintaining stability; second, to distribute income and the benefits of growth to provincial areas; and third, to enhance human resources and improve the quality of life, environment and natural resources. But the chosen strategy also created a policy dilemma, as redistribution was seen to require a slight reduction in growth rates. Ironically, to achieve its objectives and to solve this policy dilemma, no major change to development strategy was envisaged. Indeed, the plan promotes economic growth based on expanded industrialisation, while recognising that agriculture would continue to stagnate and that income disparities could deteriorate even further. The proposed answer was to encourage industrial activity in the provinces, giving the poor greater opportunities in industrial employment. It was felt that this would enhance the 'trickle-down' effect in provincial areas, thus achieving better distribution. In other words, the approach was more of the same neo-classical growth strategy, with some tinkering here and there to eventually overcome distributional problems.

Like it or not – and some traditionalist critics imply that the village community is best – industrialism and urbanism will rule. These are not new phenomena, having begun in Western Europe in the eighteenth century, so it is a fair bet that winners and losers can be identified. For the poor, however, this merely suggests that their lot will only improve once they move fully into the industrial sector. For decades government has promoted industrialisation while agriculture and rural dwellers have been exploited and ignored, and this appears unlikely to alter without significant political change. Urban areas and the rising middle class have reaped many of the benefits of these policies.

URBANISM AND CONSUMERISM

Industrialisation is not merely an economic phenomenon, for it precipitates great social and demographic transformations as well. For example, the population is now healthier. The country's death rate has been in steady decline, down to 5.7 per 1,000 in 1985. At the same time, fertility rates have declined sharply since the 1960s. Basic health problems, such as malnutrition, which affected 50 per cent of children in 1982, had been halved by 1987. In addition, the Thai population is now an ageing one, and it is predicted that family sizes will decrease from about 5 to 3.7 between 1987 and 2005, while the number of families will increase.[31]

Urbanisation has also been a significant trend. While there are many problems in defining urban areas in Thailand, that there is increasing urbanisation is not in question. For example, while there was only a 1.7 per cent increase in *officially designated* municipal areas between 1947 and 1980, there was a 5.9 per cent increase in the next six years. By 1980, it was estimated that more than half of the population resided in localities with a population exceeding 1,000. Trend analysis suggested that, by 2005, only 30–40 per cent of the population would reside in officially designated *rural* areas.[32]

It is usually estimated that 15 per cent of Thailand's population resides in the greater Bangkok metropolitan area, with a further 7 per cent in other urban areas, while the remaining population live in rural villages. These figures appear low, but even so, in 1960 the total urban population was just 12.5 per cent.[33] The currently available data appear to understate urbanisation because of the manner in which the figures are collected, based on household registrations; in some surveys, however, only 60 per cent of the population are reported as living in rural areas.[34] Certainly, even with shaky data, the movement of population towards urban areas and occupations is unmistakable.

Demographic change is part and parcel of the rise of Thailand's new consumerism as new wealth (for a significant minority) and an expanded domestic market has led to a search for new 'lifestyles'. In the words of one group of newspaper analysts:

> The winds of change in the Thai lifestyle are sweeping across this nation with a speed that awes even the keenest observers. The vibrant economic growth has brought this country to a new level of affluence and with it a degree of westernization. Now it looks good and feels good to live and consume with style – the western style. . . . The era of mass consumerism is upon us. . . . The globalization of consumerism transcends cultural differences and leaves the value of restraint as expounded by Buddhism a relic of the past. Consumerism puts the whole show on stage.[35]

Table 6.8 Socioeconomic status (SES), 1990

SES	*Bangkok* %	*Urban upcountry* %	*Rural upcountry* %
Lower	55.1	69.6	78.6
Middle	28.3	20.5	13.1
Upper	16.6	9.9	8.3

Source: Ogilvy & Mather, *Pocket Guide to Media in Thailand 1991*, Bangkok: Ogilvy & Mather, 1991, 5.

The basic and broad changes taking place have been rapid and thoroughgoing, and as noted above, urban dwellers have received the greatest benefits. The increasing wealth of the upper and middle groups, especially in the major urban areas, is shown in Table 6.8. This is reflected in expanded spending patterns. Housing estates, complete with swimming pools, kindergartens, tennis courts, parks and, importantly, security facilities, have mushroomed on the once lush rice fields that previously surrounded Bangkok. It has been estimated that between 1983 and 1989 some 340,000 housing units (sufficient for about 1.3 million persons) were completed in Bangkok area.[36] Some of the reasons cited for the move out of the city centre are the deteriorating environment of the centre, and that higher-income groups are buying *second* houses in the suburban areas. This is evidently true of Chinatown, where the second and third generations are escaping overcrowding, and factories and warehouses are now being located further from the city centre.[37]

Land prices in the whole country have increased markedly. In the northeast, plots in marginal farming areas which could be purchased at about 5,000 baht per *rai* in 1989 are now up to 25,000 baht. Near Nongkhai, across the Mekong River from Laos, urban land near the river has increased from 200,000 baht per *rai* in 1988 up to 6 million baht in 1992. In Bangkok, land prices increased between 260 per cent (for high-value central business district land) and 1,620 per cent (outer urban land) between the beginning of 1986 and the end of 1989. By early 1990, land in Bangkok's central business and shopping areas was priced at about US$3,500 a square metre, while residential plots ranged from US$70 to $350 per square metre.[38]

Private motor vehicles have become increasingly common throughout Thailand. In Bangkok, in 1989, it was said that an average of one in three of its residents owned a vehicle, and 12,000 vehicles a month were being added to the 1.8 million vehicles already registered. Even in rural villages

motorised vehicles were becoming common, with 1.76 million reported in a 1986 survey. By 1993, Thailand was the seventeenth largest automobile market in the world.[39]

A third of Bangkok income earners are now classed as white collar, and 54 per cent of Bangkok's population are considered middle or higher income. Bangkok's population also owns considerable numbers of major and expensive consumer goods such as computers, air conditioners, televisions, hi-fis, refrigerators and, of course, mobile phones.[40] An official 1988 survey of consumer behaviour found that the 'average' Thai family had a monthly 'spending power' of 4,314 baht. By region, families had spending power ranging from as low as 3,356 baht per month in the northeast to a high of 8,074 baht in Bangkok and nearby provinces.[41]

Economic growth and consumerism is transforming the commercial face of Bangkok and, increasingly, provincial towns. Referring to the capital, Scott states:

> Economic good times have a way of transforming cities and obliterating their pasts as ruthlessly as war. . . . Bangkok's boom . . . has spawned a style of architectural excess unrivalled in Asia. Bangkok's fantasies in three dimensions are notorious: office towers which mimic gothic cathedrals or Roman temples; gargantuan corinthian columns clinging to the sides of glass-sheathed skyscrapers; condominium developments stuffed with miniature tudor mansions and rococo villas.[42]

Less spectacular, but arguably more significant, has been the expansion of department stores and convenience and fast-food outlets, ploughing under local markets and street-stalls. A decade and a half ago there were few of them. A fertile land has produced a good crop and, mushrooming everywhere, there are now department stores like Robinson, Metro, Siam Jusco, Welco, Sogo and many more throughout Bangkok. McDonalds, Kentucky Fried Chicken, A&W, Mister Donut, Pizza Hut and similar are apparently on every corner of every shopping centre. Convenience stores have also expanded at a remarkable rate. For example, just one of five franchises, 7-Eleven, had 258 stores in mid 1993, with plans to expand to 1,000 by 1997.[43]

Department stores have become the parks of Bangkok, with fast-food outlets, mini-movie theatres, fashion stores and discount merchandisers providing much entertainment for the population. As air-conditioned pleasure-domes, evenings and weekends see them filled to overflowing with family groups and young people, dressed in the latest youth fashions, who meet in the fast-food shops. A recent survey has shown that 48 per cent of 21–30-year-olds prefer shopping in department stores rather than small shops or open markets. All of this is fuelled by the increased availability of

credit. For example, the number of credit card-holders increased sixfold between 1983 and 1988 to about 300,000, a fact causing concern to central bankers who see savings declining.[44]

The advertising industry has become a powerful tool in expanding consumerism, with total billings for 1989 reaching 8 billion baht.[45] Media and advertising agencies have been among the first to direct attention to the emergence of these new consumers, especially as media penetration rates are high, as shown in Table 6.9. The main items advertised were luxury goods (imported whisky and motor vehicles) and daily consumer items (energy drinks, toothpaste, soap, talcum powder, shampoo). Interesting in this is the fact that these daily items were also advertised for rural consumers. Changing expenditure patterns, especially the increased spending on luxury items, are shown in Table 6.10.

Table 6.10 clearly shows that the spending power of Thais is increasing rapidly (17 per cent between 1988 and 1989), and that an increased proportion is being used for luxury items. Advertising agencies have noted that their urban targets have become an increasingly fractured and sophisticated market.[46]

Table 6.9 Media household penetration rates, 1990

	Households (%)
Television	
Bangkok	95
Upcountry (urban)	92
Upcountry (rural)	64
Radio	
Bangkok	90
Upcountry (urban)	87
Upcountry (rural)	74
VCRs	
Bangkok	45
Upcountry (urban)	30
Upcountry (rural)	2
Reported circulation of magazines	
Women's magazines	1.90 m
Business magazines	0.41 m

Source: Ogilvy & Mather, *Pocket Guide to Media in Thailand 1991*, Bangkok: Ogilvy & Mather, 1991.

Table 6.10 Household expenditure, 1985–1989

Type of expenditure	*1985* %	*1986* %	*1987* %	*1988* %	*1989* %
Basic consumption	80.5	80.2	79.7	79.1	78.2
Food and beverages	32.5	31.9	31.1	29.8	28.7
Clothes and personal items	13.1	13.5	13.7	13.6	13.7
Transportation and communications	9.9	9.6	9.6	10.5	10.9
Medical treatment	8.0	8.2	8.3	8.5	8.4
Rental and water charges	7.7	7.9	7.7	7.3	6.9
Household products	4.8	4.7	5.2	5.6	6.3
Energy and electricity	2.5	2.3	2.2	1.9	1.7
Other	2.0	2.0	1.9	1.9	1.6
Luxury expenditure	19.5	19.9	20.3	20.8	21.8
Entertainment and leisure	12.0	12.4	13.2	13.2	14.0
Cigarettes and alcohol	5.9	5.9	5.5	5.9	5.9
Other	1.6	1.6	1.6	1.7	1.9
Total expenditure (billions of baht)	686.8	735.1	834.7	964.3	1,128.4

Note: The data presented in the table are not carefully explained but would appear to refer to Bangkok.

Source: NESDB, cited in Veena Thoopkrajae and Kenneth Ywin, 'It's Time for All the Good Things', in Sopon Ongkara (ed.), *Facing the Unknown*, Bangkok: Nation Publishing 1991, 51.

POLITICAL IMPLICATIONS

Urbanism and consumerism, developing from the rise of the middle class and impending NIC-dom, are having significant political consequences in Thailand. As noted above, the middle class is a significant consumer group for the products and services of capitalist production and is also a crucial element of capitalism's workforce. With respect to these factors, the position of the middle class in Thailand's capitalist economic structure is likely to be enhanced.

An important reason for this is the changing nature of the global political economy. As has been noted elsewhere, the search by international capital for low-cost manufacturing and export bases has seen the emergence of three

economic regions – Europe, North America and the Asia-Pacific.[47] International capital thus hones its operations to the peculiarities of local markets and affords greater autonomy to subsidiaries and regional and domestic-based capital. In this scheme, Thailand has the status of a low-wage production site for exports and for the expanding consumer markets of Asia. In addition, international capital now seems prepared to invest in higher value-added production and processes in each of these regions, providing an opportunity for Thai capitalists to upgrade their domestic operations. At the same time, this also allows Thai manufacturers to relocate their lower-skill operations to even lower-wage countries in Vietnam, Laos and China. This internationalisation and regionalisation of capital further bolsters capitalist accumulation in Thailand and the region, and provides for the further expansion and consolidation of the middle class.

The continuing expansion of Thai capitalism suggests that the current high demand for middle-class services will continue for a considerable time. As mentioned above, Thailand's middle class now finds itself in a strong market position which has some potentially significant political implications.

In the past, with a weaker market position, the middle class was virtually in a 'natural' alliance with the capitalist class. As has been shown elsewhere, until the 1980s labour organisations were central to the periodic opposition to authoritarian regimes.[48] The alliance of labour and the left in opposing repression was often challenging to the middle class, and saw them collaborate with capitalists and the state – remembering that most middle-class professionals were employed by the state – in defeating progressive forces. However, with the demise of the left, the middle class is not faced with radical alternatives; rather, elements of the middle class are themselves proposing reforms. The economic position of the middle class has also played a role in its emerging activism. Because the professional skills of elements of the middle class are in strong demand, a degree of economic and political independence – from the dominant capitalist class and state – has emerged.

As in the economy, contemporary political activism is characterised by a greater differentiation of participants, many of them drawn from the middle class. Hence, environmental and consumer organisations have joined professional and employer associations in the political sphere. More significant perhaps was the role played by the middle class in the events of May 1992.

Until 1991, most commentators were cautiously optimistic that the cycle of military coups was a thing of the past. While the military had not withdrawn from the political sphere, there had not been a successful coup

since 1977. Even after the February 1991 coup, many felt that this was an interim measure to get rid of a corrupt civilian government, and the military might well withdraw again. The military, led by a coterie of troglodytes, showed that this was not the case, and that they wanted to continue to determine the political agenda. The democracy movement, made up of a range of groups, many with middle-class origins, showed that it was unwilling to accept this. In addition, it demonstrated that it would make sacrifices in order to edge the military out.

While capitalists were slow in throwing their support behind the demonstrators, Pasuk notes that 'Organised modern business came to see that authoritarianism bent on fascism could have . . . disastrous effects on their business interests. The immediate reaction was for the first time to give open support *as institutions* to the parliamentary democratic system.'[49] It might have been supposed that, in the interests of business and investor confidence, business would have continued to accept military dominance. In Pasuk's view, business opposed authoritarianism based on an assessment that the military threatened their economic interests.

However, for the middle class there is not the same economic imperative at work. Indeed, as Anek observes, the 'middle class did not appear to believe that democracy could take care of its own faults and flaws. . . . [But] . . . they rejected authoritarianism only in principle, while in practice holding that there could be good authoritarian rule.'[50] Indeed, he suggests that the middle class might have thrown its lot in with the military again, especially as they have held popularly elected politicians in low esteem. The fact that the middle class did not object to the overthrow of the elected government in 1991 was testament to the fact that this government was seen to be corrupt and incompetent. For the middle class, government appears to be about competence, and as Anek points out, this does not necessarily require elections. He argues convincingly that the middle class only rejected the military when it was clear that it was cementing its own position.[51] It should be added that the military also indicated that it was equally prepared to deal with corrupt figures, demonstrating that it too lacked integrity.

The result was the coalition of groups that finally came together in May 1992 to overthrow the military-led government. The middle class was an important element of this, and also threw its support behind the electoral process which resulted from the tumultuous events. It was seeking an honest and professional government which could implement policy effectively. The result was a coalition of reasonably 'clean' parties led by an honest politician, Chuan Leekpai. Chuan epitomised the middle class: a sober and quiet professional with Sino-Thai heritage, and while from a poor

family and not a particularly strong personality, he seemed a man of integrity. It appeared that the middle class had its government in place.

However, there is one element in Chuan's background that may signal the next major conflict: he is from the provinces. As noted earlier, industrialisation and impending NIC-dom has shown that there will be significant losers, and most of these are rural dwellers. Parliamentary forms will not necessarily be a boon for all. The middle class is overwhelmingly Bangkok-based, but the challenge to its perception of good government comes from the provinces, where people see the electoral process as being corrupt.

The focus of middle-class concern is the advent of 'dark influences' (*itthiphon muet* or *chao pho*). These are important local business people whose influence is based on both their businesses and their control of the not-so-legal arms of business (for example, prostitution, gaming, murder, drugs, logging, land encroachment, weapons trade, smuggling, protection rackets). Anderson has noted the rapid expansion of provincial entrepreneurs who have developed lifestyles that are 'competitive with those of locally stationed state officials . . . [who] put down strong local roots, social as well as commercial'.[52] This is in contrast to officials who are regularly transferred, and who rarely develop such ties. Many local business people have become immensely wealthy, and in some places no area of economic activity is outside the influence of *chao pho*.[53]

Both Anderson and Turton have noted that increased economic and social influence has also allowed political power to be aggregated. Rural areas have become politically significant in recent years, and parliamentary representation has meant that rural areas are important electoral bases.[54] Middlemen (and most are men) who have become so significant in business and trade have also become middlemen in politics. Money has become central to electoral politics and the pattern of seeking financial support from business has meant that 'influential persons' have been legitimised, even when their money has derived from illegal activities.[55]

Related to this, Christensen has noted that, since the 1970s, there has been a rise of a group of 'political entrepreneurs', increasingly drawn from provincial business, 'who competed with one another for appointments to the Cabinet which would permit them control over the central government ministries'. This leads to tremendous pressure for pork-barrel politics, where 'it becomes difficult for politicians to discern which kinds of policies are good for the economy from those that are worse'.[56]

Thus it may well be that the middle classes may not be in a position to institute parliamentary forms that are any more representative than their predecessors. Indeed, NIC-dom and bourgeois democracy may well exclude real participation for the majority, may bestow both economic and

political benefits on a significant capitalist minority, and may be no more open and honest for the middle class.

NOTES

1 See Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Norman: University of Okalahoma Press, 1991, and Lucien Pye, 'Political Science and the Crisis of Authoritarianism', *American Political Science Review*, 84(1), 1990, 3–19. The linkage of political development to economic change by liberal and pluralist writers appears odd to Marxist writers, especially as charges of 'economic determinism' have long been used to damn their analysis of historical change.

2 John Girling, 'Development and Democracy in Southeast Asia', *The Pacific Review*, 1(4), 1988, 332–336. The quotation is from p. 332.

3 For a brief critique of these theoretical approaches, see Kevin Hewison and Garry Rodan, 'The Decline of the Left in Southeast Asia', in Ralph Miliband and Leo Panitch (eds) *The Socialist Register 1994*, London: The Merlin Press, 1994, 235–262. There, an approach is suggested that accounts for the historical struggles over civil society in Southeast Asia, rather than a unilinear and gradual development.

4 For example, Anek Laothamatas, 'Sleeping Giant Awakes? The Middle Class in Thai Politics', paper presented to the Conference on Democratic Experiences in Southeast Asian Countries, Bangkok, Thammasat University-Rangsit, 7–8 December 1992, and his *The Mobile Phone Mob: The Middle Class, Business and the Development of Democracy*, Bangkok: Matichon, n.d., in Thai; Pasuk Phongpaichit, 'The Thai Middle Class and the Military: Social Perspectives in the Aftermath of May 1992', paper presented to the Annual Conference of the ANU Thai Studies Group, Australian National University, Canberra, 18 October 1992; and Sungsidh Piriyarangsan and Pasuk Phongpaichit (eds), *The Middle Class and Thai Democracy*, Bangkok: The Political Economy Centre, Chulalongkorn University, 1993, in Thai.

5 See Anek, 'Sleeping Giant', 21. It later became clear that the military had not been totally defeated, and reports emerged to indicate the significant role played by a whole range of social groups, including labour – see Somsak Kosaisuk, *The Labour Movement and the May Tragedy: Labour Against Dictatorship*, Bangkok: Freidrich Ebert Stiftung, Labour Museum Project & Arom Pongpangan Foundation, 1993, in Thai and English. Indeed, most of those officially listed as killed in the demonstrations seemed to be from non-middle-class families. None the less, that the middle class took a crucial role is unquestionable. One US dollar is the equivalent of about 25 baht.

6 The works referred to are Anek Laothamatas, *Business Associations and the New Political Economy of Thailand: From Bureaucratic Polity to Liberal Corporatism*, Singapore: Institute of Southeast Asian Studies, 1992, and Fred W. Riggs, *Thailand: The Modernization of a Bureaucratic Polity*, Honolulu: East–West Center Press, 1966.

7 See Kevin Hewison, *Politics and Power in Thailand*, Manila: Journal of Contemporary Asia Publishers, 1989.

8 It should not be imagined that this was a discussion limited to the elite, for so pervasive was the perception of rapid change that even villagers entered the debate, and the word 'NIC' soon became a part of the Thai lexicon.
9 See Y.G. van Frausum, 'What Thailand Should Do to Be a NIC', *The Bangkok Post*, 26 January 1988, 17.
10 Data are drawn from *The Bangkok Post*, 17 January 1990; Somsak Tambunlertchai and Suthiphand Chirathivat, 'Management of Thailand's International Economic and Trade Relations', in Suchart Prasith-rathsint (ed.) *Thailand on the Move: Stumbling Blocks and Breakthroughs*, Bangkok: Thai University Research Association and Canadian International Development Agency, 1990, 201; and Thailand Development Research Institute, *Thailand Economic Information Kit*, Bangkok: TDRI, 1993 edn, 7.
11 For details, see Anek Laothamatas, 'Business and Politics in Thailand: New Patterns of Influence', *Asian Survey*, 28(4), 1988, 451–470; Hewison, *Politics and Power*, chs 4–9; and by the same author, 'The State and Capitalist Development in Thailand', in Richard Higgott and Richard Robison (eds) *Southeast Asia: Essays in the Political Economy of Structural Change*, London: Routledge & Kegan Paul, 1985, 266–294; and 'Of Regimes, State and Pluralities: Thai Politics Enters the 1990s', in Kevin Hewison, Richard Robison and Garry Rodan (eds) *Southeast Asia in the 1990s: Authoritarianism, Democracy and Capitalism*, Sydney: Allen & Unwin, 1993, 159–189. The relationship between state and class is not discussed in this chapter, but it should be pointed out that I am not suggesting a simplistic instrumental relation – for more details see Kevin Hewison, *Bankers and Bureaucrats: Capital and the Role of the State in Thailand*, New Haven: Yale University Southeast Asia Studies, Monograph No. 34, 1989, 16–32.
12 The research summarised here is: G. William Skinner, *Leadership and Power in the Chinese Community of Thailand*, Ithaca: Cornell University Press, 1958; Suehiro Akira, *Capital Accumulation in Thailand, 1855–1985*, Tokyo: Centre for East Asian Cultural Studies, 1989; Ueda Yoko, 'Research Note: Characteristics of Local Entrepreneurs in Nakhon Ratchasima City', *Southeast Asian Studies* (Kyoto), 30(3), 1992, 331–372; Hewison, *Politics and Power*; Kevin Hewison and Maniemai Thongyou, *The New Generation of Provincial Business People in Northeastern Thailand*, Perth: Asia Research Centre, Murdoch University, Working Paper No. 16, 1993; and Pasuk Phongpaichit and Chris Baker, unpublished manuscript, Bangkok, 1993.
13 Anek, 'Business and Politics', 456–459.
14 See Hewison, *Politics and Power*, ch. 4.
15 Workers from Laos, China, Cambodia and South Asia have all been mentioned in the press. Most significant, however, has been the flood from Burma, reportedly 350,000 persons (see *The Nation*, 24 February 1994). The role of labour in Thailand has not been well analysed, but for an introduction see Kevin Hewison and Andrew Brown, *Labour and Unions in an Industrialising Thailand: A Brief History*, Perth: Asia Research Centre, Murdoch University, Working Paper No. 22, 1993.
16 Cited in Ralph Miliband, *Divided Societies: Class Struggle in Contemporary Capitalism*, Oxford: Oxford University Press, 1989, 22.
17 Pasuk, op. cit., 3.

18 Anek, 'Sleeping Giant', 3, is correct in noting that military and nationalist politicians of the 1940s and 1950s aimed to create a strong middle class in the interests of stability.
19 The data are drawn from various issues of the official *Statistical Yearbook, Thailand.*
20 Ben Anderson, 'Withdrawal Symptoms: Social and Cultural Aspects of the October 6 Coup', *Bulletin of Concerned Asian Scholars*, 9(3), 1977, 16.
21 Anderson, 'Withdrawal Symptoms', 16–17.
22 Data are drawn from: Board of Investment, *Key Investment Indicators*, Bangkok: Office of the Prime Minister, 1991 edn; and Pasuk and Baker, op. cit., ch. 10.
23 *The Nation*, 12 September 1988 and 12 May 1989.
24 *The Nation*, 26 March 1988.
25 These issues have been regularly canvassed in the press. For English-language reports see *The Nation*, 12 July 1989, 30 August 1989, and *The Bangkok Post*, 10, 15–16 July 1990 and 28 August 1990.
26 Elliott Kulick and Dick Wilson, *Thailand's Turn: Profile of a Dragon*, New York: St Martin's Press, 1992, ch. 8.
27 This argument was consistently used in a series of interviews that the author conducted with officials of the National Economic and Social Development Board (NESDB) in May 1988.
28 Board of Investment, op. cit., 3; Ogilvy & Mather, *Pocket Guide to Media in Thailand 1991*, Bangkok: Ogilvy & Mather, 1991, 6; and NESDB, *Summary: The Seventh National Economic and Social Development Plan (1992–1996)*, Bangkok: Office of the Prime Minister, 1991, 4.
29 It has recently been estimated that this trend has continued to the present – see *Labour Report* (in Thai), January 1994, 23.
30 Much of the following is based on an analysis of NESDB, *The Seventh National Economic and Social Development Plan (1992–1997)*, Bangkok: NESDB, 1992.
31 The data in this paragraph are drawn from a variety of sources: Ministry of Public Health, *Thailand Mini Health Profile 1988*, Bangkok, Ministry of Public Health, 1988, 8; Bhassorn Limanonda and Penporn Tirasawat, *Population Mobility and Development Issues: Thailand*, Bangkok: ASEAN Population Programme, Institute of Population Studies, Chulalongkorn University, 1987, 15–17; National Centre for Thai Studies, *Thailand Update 1991: Some Facts & Figures*, November 1991; and Veena Thoopkrajae and Kenneth Ywin, 'It's Time for All the Good Things', in Sopon Onkgara (ed.) *Facing the Unknown*, Bangkok: Nation Publishing, 1991, 51.
32 Kritaya Archavanitkul, *Migration and Urbanisation in Thailand, 1980: The Urban–Rural Continuum Analysis*, Nakorn Chaisri: Institute for Population and Social Research Publication No. 122, Mahidol University, 1988, 2–10.
33 The first figure is from Sopon Pornchokchai, 'Urban Shift on the Right Track', *The Bangkok Post*, 18 June 1990, 12, while the second is from Chaiwat Panjaphongse and Narong Tiensong, *Thailand: Population and Population Education*, Bangkok: Thai Watana Panich, 1976, 29.
34 Rural Development Co-ordination Centre, *Basic Village-Level Statistics from Rural Areas 1987*, Bangkok: National Economic and Social Development Bureau, 1987, in Thai, 4.

35 *A Year of Drama and Disaster*, Bangkok: Nation Publishing, 1989, 56.
36 Sidhijai Tanphiphat and Pratak Simapichaicheth, 'Thai Urban Shift and Housing Trends', *The Bangkok Post*, 28 May 1990, 14. There is little data available for other urban areas.
37 *The Nation*, 10 November 1988.
38 Data for rural areas are based on interviews conducted by the author between 1989 and 1993, while those for Bangkok are from Sopon, op. cit., 12. One *rai* is equal to 0.16 hectares.
39 The information in this paragraph drawn from *The Nation*, 20 March 1989; Rural Development Co-ordination Centre, op. cit., 8; and Virat Threeranurat, 'Car Sales Accelerate Into Overdrive', *The Bangkok Post Economic Review, Year-End 1993*, 30 December 1993, 64–65.
40 The mobile phone was once seen as a symbol of wealth and status, but this is declining: 'rapid market growth . . . has changed the image. A mobile phone is . . . [now] affordable by almost all middle-income earners.' Indeed, necessity plays a role. Long waiting lists for conventional telephone connection mean that mobile phones are more readily available and may actually be cheaper than purchasing a conventional line – see Vivat Prateepchaikul, 'Revolution Creates Dialling Freedom', *The Bangkok Post Economic Review, Year-End 1993*, 30 December 1993, 77.
41 *A Year of Drama*, 56.
42 Margaret Scott, 'Shape of Things to Come', *Far Eastern Economic Review*, 11 May 1989, 40.
43 Gordon Fairclough, 'Shopping on the Fly', *Far Eastern Economic Review*, 9 December 1993, 70.
44 *A Year of Drama*, 31–32, 58.
45 *A Year of Drama*, 59.
46 Veena and Ywin, op. cit., 50.
47 The information in this paragraph draws on Hewison and Rodan, op. cit.
48 See Hewison and Rodan, ibid., and Hewison and Brown, op. cit.
49 Pasuk, op. cit., 5.
50 Anek, 'Sleeping Giant', 18.
51 Anek, 'Sleeping Giant', 20, 25.
52 Benedict Anderson, 'Murder and Progress in Modern Siam', *New Left Review*, 181, 1990, 39–40.
53 *Far Eastern Economic Review*, 18 April 1991.
54 Anderson, 'Murder and Progress', and Andrew Turton, 'Limits of Ideological Domination and the Formation of Social Consciousness', in Andrew Turton and Shigeharu Tanabe (eds) *History and Peasant Consciousness in South East Asia*, Osaka: National Museum of Ethnology, 1984, 56–59.
55 *Far Eastern Economic Review*, 23 April 1987.
56 Cited in Peter Mytri Ungphakorn, 'Can We Manage at this Pace?', *The Bangkok Post Economic Review, Year-End 1993*, 30 December 1993, 11.

Hong Kong

GENERAL

Land area	1,062 sq. km
Population (mid 1992)	5.8 million people
Nominal GDP (1992)	US$89,088 million
share of agriculture	0%
share of industry	23%
share of manufacturing	16%
share of services	77%
Average annual GDP growth rate (1980–1992)	6.7%
GDP per capita (1992)	US$15,360
GNP per capita (1992)	US$14,180
Monetisation level (broad money [M2] as % of GDP; 1992)	69.5%
Average annual growth rate of M2	–
Central government budget surplus or deficit as % of GNP	–
Current account surplus or deficit (after official transfers; 1992)	+ US$2,487 million
Merchandise trade surplus or deficit (1992)	– US$93,176 million
Gross domestic savings as % of GDP (1992)	30%
Gross domestic investment as % of GDP (1992)	29%
Tax revenue as % of GNP	–
Total external debt	–
Percentage of population of working age (15–64; 1990)	70.5%
Number of students in higher and university education (1984)	0.1 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US$18,520
Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1980)*	8.7

Percentage of urban population (1992)	94%
Total employment (1992)	2,738,300
of which professional, technical workers	9.1%
of which administrative, managerial workers	4.9%
of which clerical, sales, services workers	51.9%
of which agriculture, production, transport workers and equipment operators	34.1%
Gross tertiary enrolment ratio**	–
Life expectancy at birth (1992)	77.4 years
Population with access to safe water (1988–91)	100%
Total consumer expenditure (1992)†	US$49,965 million
share of food, drink and tobacco	16.5%
share of clothing and footwear	20.0%
share of housing and fuels	13.3%
share of household goods and services	4.1%
share of health	4.9%
share of leisure and education	13.3%
Per capita energy use (oil equivalent; 1992)	8,236 kg
People per telephone (1990)	1.8
People per TV (1990)	3.6
People per doctor (1991)	878.5
Per capita consumption of beef (1991)	16.2 kg
Per capita consumption of poultry (1991)	58.2 kg
Per capita consumption of fish (1991)	29.5 kg
Per capita consumption of soft drinks (1992)	85.2 litres
Book titles published (1990)	5,681

Notes:
* Data refer to income shares by fractiles of households, ranked by household income.
** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
† The percentage figures for consumer expenditure are on selected items only.

Sources:
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Euromonitor, *International Marketing Data and Statistics*, 1994
ILO, *Yearbook of Labour Statistics*, 1993
The World Bank, *World Development Report*, 1994
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7 Hong Kong

Post-colonialism and political conflict

Lo Shiu-hing

Throughout the 1970s and the 1980s, the dynamic economy of Hong Kong produced tens of thousands of rich people, ranging from billionaires to the members of the 'sandwich class'.[1] While economic recession and unemployment have become the public enemies in most Western industrialised countries during the early 1990s, Hong Kong's economy remains robust despite the gloomy economic outlook immediately after China's Tiananmen incident in June 1989. A new generation of rich Hong Kong people is emerging in the British colony which will be a Special Administrative Region (SAR) of the People's Republic of China (PRC) in 1997. This article examines the emergence of Hong Kong's new rich and explores its political, economic, social and international repercussions.

The new rich referred to here are those members of the capitalist and middle class who have emerged from the process of industrialisation starting in the 1960s. Specifically, the new rich consist of the bourgeoisie, which owns such means of production as land, capital and labour, and the intermediate stratum of capitalist society, which Marx only occasionally discussed. The bourgeoisie includes capitalists and big businessmen in the industrial, commercial and financial sectors; whereas the intermediate stratum, or the middle class, is composed of small businessmen, professionals and self-employed people. Marx played down the political importance of the middle class because he felt that it was reactionary and reluctant to overthrow capitalism. Yet, the phenomenon of a 'growing number of people who man the technical, scientific, supervisory, and cultural posts of advanced capitalist societies' shows that the intermediate stratum can no longer be ignored.[2]

From many perspectives, the existence of a strong bourgeoisie is a prerequisite for the development of liberal democracy. While some Marxists may have failed to anticipate the rise of the middle class and underestimated its significance, other modernisation theorists take it for

granted that economic development promotes the expansion of middle-class citizens who are educated, modern and supportive of democratisation.[3] In the case of Hong Kong, middle-class citizens tend to be far more supportive of political and social reforms than the bourgeoisie or the capitalist class. Although both the Hong Kong bourgeoisie and the middle class agree that private property should be protected and that economic prosperity should be maintained, their differences become apparent when they discuss the desirability of political and social reform in the territory.

THE EMERGENCE OF HONG KONG'S NEW RICH

Before examining the emergence of Hong Kong's new rich, it is necessary to identify members of the 'old' rich, that is those Hong Kong people who possessed capital before the industrialisation of the 1960s and 1970s. The rise of the old rich can be traced back to the late 1940s when many mainland Chinese business people, in particular from Shanghai, escaped to Hong Kong out of fear of the consequences of communist victory in China. Some of those mainland Chinese made use of their talents and vision to start or expand their businesses in Hong Kong during and after the Korean War, in which the United States imposed an embargo on all trade with China. A case in point was the late shipping magnet Sir Yue-kong Pao (Y. K. Pao), who invested all his money to buy a secondhand ship in 1955 with his friends from Shanghai and Ningbo. Y. K. Pao expanded his shipping business rapidly as the world moved into a major oil boom, and by the 1970s he became the biggest independent tanker owner in the world. Y. K. Pao could be viewed as a member of the old rich or the first generation of the bourgeoisie in Hong Kong after the Second World War. The first generation of the post-1945 Hong Kong bourgeoisie also included businessmen who looked for new markets and who moved into the manufacturing industry, especially textiles, because of the decline of entrepôt trade in Hong Kong during the Korean War.

The first generation of Hong Kong's bourgeoisie is clearly not to be regarded as part of Hong Kong's new rich. The rise of this capitalist class preceded, rather than emerged from, Hong Kong's industrialisation in the 1960s and 1970s. Most members of the first generation of the bourgeoisie were not indigenous because they came from Shanghai. Those who were Shanghainese entrepreneurs had already possessed some capital before their investment in the local manufacturing industry.[4] The first generation of the Hong Kong Chinese bourgeoisie established the base for industrialisation in Hong Kong after the Second World War, and was clearly not its product.

Table 7.1 The four fractions of Hong Kong's new rich

Fractions	*Political orientation*	*Economic orientation*
1. Local bourgeoisie	Conservative, anti-democratic, see politics as a means to achieve profits	Support private property rights and capitalism
2. Local middle-class liberals	Fully support Western values, such as human rights and democracy	Support private property rights and capitalism
3. Local middle-class nationalists	Critical of Western values; have a strong sense of belonging to China	Support private property rights and capitalism
4. Mainland Chinese bourgeoisie	Profit-oriented, see politics as a sort of *guanxi* that protects and achieve profits	Support private property rights and capitalism

The second generation of the bourgeoisie, which is part of Hong Kong's new rich, emerged in the 1970s and the early 1980s as the economy, particularly the property and stock markets, prospered. Since the 1980s, four fractions of the new rich have emerged in Hong Kong: (1) the second generation of the bourgeoisie that is entirely indigenous; (2) the indigenous liberal-minded middle class; (3) the local nationalistic or 'patriotic' middle class; and (4) the new mainland Chinese bourgeoisie managing the PRC's enterprises in the colony (see Table 7.1).

Broadly speaking, the local bourgeoisie includes real estate developers, bankers and big business people, some of which have considerable investment in China. The indigenous liberal-minded middle class is in general composed of many barristers, solicitors, medical doctors and secondary school teachers. With the rapid expansion of tertiary institutions such as polytechnics in the latter half of the 1980s, Hong Kong's liberal-minded middle class also came to consist of academics and university teachers whose social status was respected in society and whose salaries were on average much higher than those of members of the working class. Other intellectuals such as newspaper reporters, social workers and religious priests could be categorised as the lowest stratum of the liberal-oriented middle class, their income being relatively lower than that of many middle-class professionals, such as lawyers, professional engineers and accountants.

The indigenous middle class is not homogeneous. While the liberal-minded fraction tends to cherish Western liberal values and emphasise the paramount importance of protecting human rights, the other fraction adopts a more nationalistic attitude towards China. The 'patriotic' or 'pro-Beijing' middle class – the third fraction of the new rich in Hong Kong – believes that Hongkongers should sympathise with any past failures of the PRC's modernisation drive, and that they should neither uncritically accept all the Western values nor impose Western-style democracy on a unique Chinese society like Hong Kong. In practice, members of this local and nationalistic middle class formed a political party named the Democratic Alliance for the Betterment of Hong Kong in 1992, trying to compete with the middle-class liberals in elections at the district, municipal and territorial levels.

While the 1970s and 1980s saw the rapid proliferation of the indigenous bourgeoisie and middle class in Hong Kong, the early 1990s have been marked by the emergence of a new mainland Chinese bourgeoisie. Members of this mainland Chinese bourgeoisie are mostly executives of the PRC's enterprises in Hong Kong, such as the famous China International Trust and Investment Corporation (CITIC). Recently, the director of the Hong Kong branch of CITIC, Rong Zhijian, has become one of the board directors of the Hong Kong Jockey Club, a sign that the mainland Chinese bourgeoisie is replacing the traditional British *taipans* as Hong Kong's upper class. Many members of the mainland Chinese bourgeoisie in Hong Kong belong to the *taizidang* or 'princeling's party' which refers to 'a specific category of the children of high-level cadres who are believed to be involved in various economic crimes and/or political promotions by family connections and personal relationships'.[5] It was reported that a mainland Chinese conglomerate led by Deng Zhifang, the son of the Chinese leader Deng Xiaoping, engaged in speculative activities in Hong Kong's property market and sold an arcade in the Central district for HK$13 billion.[6] Some members of the mainland Chinese bourgeoisie are reportedly so corrupt that they actually transferred over US$30 billion from the PRC to Hong Kong, a shocking figure which illustrates the potential devastating effect of this parasitic Chinese capitalist class on the mainland's economy.[7] In the event that the corrupt activities of the mainland Chinese bourgeoisie cannot be controlled by either the Beijing authorities or Hong Kong's underground Chinese Communist Party,[8] this parasitic or comprador Chinese bourgeoisie will probably sooner or later become the most hated class in Hong Kong as the income gap between the rich and the poor increases.

In terms of political orientation, the mainland Chinese bourgeoisie in Hong Kong is uninterested in the issues of democratisation and

liberalisation. Members of this comprador and parasitic class share the attitudes of the local Hong Kong bourgeoisie, using politics as a means to achieve economic profits. Apparently, the mainland Chinese bourgeoisie does not formally participate in Hong Kong politics through elections, but it does informally participate in local politics in the sense that its members are practising the use of *guanxi* or 'special relationships', cultivating friendly relationships with government officials, legislators and politicians.

However, all the four fractions of the new rich have one thing in common. They fully support the capitalist system, private property rights and a bourgeois lifestyle. This economic outlook is natural as they have been assimilated into the capitalist culture and ethos. The only difference among the four fractions is perhaps the emphasis on Hong Kong's economic prosperity. While the mainland Chinese bourgeoisie and the local Hong Kong bourgeoisie regard economic prosperity as of paramount importance, the middle-class liberals and nationalists do not often place such heavy emphasis on prosperity. Instead, the middle classes tend to advocate improvement in social welfare, such as the old-age pension scheme proposed by the Hong Kong goverment in 1994, so that the wealth discrepancy between the rich and the poor can be narrowed. Yet, the bourgeoisie, local or mainland, tend to view such welfare programmes as detrimental to Hong Kong's free market and economic prosperity.[9] In short, the local capitalist class is against social welfare.

POLITICAL IMPACT

The rise of the new rich has had several important political consequences. It has certainly accelerated Sino-British negotiations on the future of Hong Kong. In the early 1980s, the capitalist segment of the new rich, particularly bankers and investors, were worried about Hong Kong's future status after 1997, when the lease of the New Territories signed by Britain and China's Qing dynasty in 1898 would expire. As a result, the local bourgeoisie urged Britain to discuss Hong Kong's future with China. It was of course only a matter of time before negotiation on Hong Kong's future would have to take place, not least because the British government always assumed that reversion was in the spirit of the treaties with the Qing dynasty. However, without the pressure from the Hong Kong bourgeoisie, the Sino-British negotiations would probably not have been held as early as 1982 when the former British prime minister Margaret Thatcher visited Beijing. Originally, some Hong Kong capitalists hoped that China would allow Britain to continue to administer Hong Kong after 1997 because they assumed that the territory's political *status quo* could be maintained as long

as it was economically beneficial to the PRC's modernisation drive. After the PRC asserted that Hong Kong's sovereignty could not be negotiated, local capitalists realised that they had to accept and adapt to the termination of colonial rule.

Another political consequence of the rise of the new rich has been a remarkable increase in the level of elite participation and in the intensity of political competition. In response to Hong Kong's eventual return to her socialist motherland, the local bourgeoisie has begun to organise itself politically, knowing that the best way to protect its economic interests is political participation. The formation of the Liberal Democratic Federation (LDF) of Hong Kong in 1990 and that of the so-called Liberal Party (formerly called Cooperative Resources Centre [CRC] in 1991) in 1992 represent the attempts by business elites to maintain their political influence in Hong Kong after as well as before 1997.[10] In fact, the local bourgeoisie was slow to organise in its political response to the question of 1997. It was not until the Tiananmen incident of 1989 and the establishment of various political parties, such as the United Democrats of Hong Kong (UDHK) and the Hong Kong Democratic Foundation (HKDF), by middle-class liberals in 1990 that the capitalist class decided to prepare for electoral participation.[11]

Traditionally, the local bourgeoisie has been a reluctant and conservative political actor in Hong Kong which supported the maintenance of authoritarianism and colonialism. Before Christopher Patten, a former chairman of the Conservative Party in Britain, became the Hong Kong governor in 1992, it was a rule rather than an exception that the governors appointed business people rather than middle-class liberals into the policy-making institution, the Executive Council (ExCo), and the legislature, the Legislative Council (LegCo). One continuity between Governor Patten and his predecessors is that the Hong Kong government often solicits the opinions of the bourgeoisie on economic issues by coopting its members onto hundreds of consultative committees. But before the 1997 question came to the fore, members of the capitalist class found it unnecessary to form any political party simply because they were already overrepresented throughout the colonial state apparatus. Since Governor Patten introduced his controversial political reform package in 1992, the local bourgeoisie has been forced by the changing circumstances to participate in elections. For one thing, the bourgeoisie fears that Patten's reform blueprint would give a golden opportunity for middle-class liberals, such as lawyer and UDHK leader Martin Lee, to grasp political power. Moreover, the indigenous bourgeoisie is deeply concerned that these liberals might turn Hong Kong into an anti-China political base, which would provoke Beijing's

intervention and retaliation. As a result of the struggle between China and Hong Kong's middle-class liberals, Hong Kong's economic prosperity would be undermined, according to the analysis of the indigenous capitalist class. It is ironic that the local bourgeoisie which was nurtured, promoted and protected by the British colonialists has turned out to be the most critical opponent of Governor Patten's democratising blueprint. In the twilight of British colonial rule, the local bourgeoisie no longer respects its former master, Britain, but swears allegiance to its future overlord, China, in an endeavour to protect its political and economic gains.

The emergence of middle-class elements of the new rich during the latter half of the 1980s has not only forced the bourgeoisie to resort to creating political organisations that safeguard its economic interests, but has also helped Governor Patten to have his political reform blueprint endorsed in LegCo by a narrow margin. The most important consequence of the rise of the new rich's middle-class segment was to increase the political awareness and reduce the political immaturity of the capitalist class. Since the Sino-British agreement on Hong Kong's future was initialled in 1984, middle-class liberals have been demanding that the Hong Kong government should democratise its colonial institutions before 1997. For the local bourgeoisie, however, middle-class liberals are demagogues advocating rapid democratisation at the expense of Hong Kong's political stability and economic prosperity. According to one newspaper publisher, Louis Cha:

> If a system of one person, one vote is followed in election, the government and councils thus elected will most probably be representatives of the interests of residents in housing estates, workers and low-salaried employees as they form the majority among the population. An elected government is bound to introduce a large number of welfare schemes, and interfere with the operation of banks, big enterprises and factories.[12]

To the indigenous bourgeoisie, the beneficiary of democratic reforms would be the working class which would receive 'free lunches' from the popularly elected middle-class liberals. In the words of another businessman, 'Democratisation should proceed slowly and gradually, for the liberals will sell their bread to voters at cheap prices.'[13] Clearly, the bourgeoisie is deeply suspicious and distrustful of the middle-class liberal democrats. Although Hong Kong has a strong bourgeoisie, its members are self-protective and politically conservative in the sense that democratisation is regarded as a zero-sum game only beneficial to their class enemies – the middle-class liberals and the working class.

The self-protective instinct of the local bourgeoisie can also be seen in its attitude towards PRC officials. Most Hong Kong capitalists are

unwilling to antagonise the incoming dominant overlord, China. The bourgeoisie refrains from supporting any policy unacceptable to PRC officials, particularly drastic and rapid political reforms in Hong Kong, so that its business interests in China can be protected. As one liberal LegCo member, Jimmy McGregor, pointed out, 'the rightwing multi-billionaires are highly conservative. . . . Like Britain, China trusts the businessmen. Businessmen who have investment in China and in Hong Kong say, "Don't make a fuss" [with regard to political reform]. They are actually thinking of their profits.'[14] To safeguard business interests in China, it is a must for the local bourgeoisie to adopt a compliant and subservient attitude towards the mainland. No bourgeoisie is willing to repeat the experience of Jimmy Lai Chee-ying, a liberal-minded chairman of Giordano which operates extensively in China and which was closed by Beijing authorities in August 1994 because of an anti-Li Peng article written by Lai in his *Next Magazine*.[15] Because of structural constraints, the room for the local bourgeoisie in Hong Kong to support democratisation and to criticise Chinese government leaders is very limited.

Currying favour with the PRC is therefore the only effective means by which the local bourgeoisie advances its economic gains in China and maintains its political dominance over middle-class liberals in Hong Kong. One Hong Kong scholar has observed:

> *Guanxi*, which is the Chinese phrase for personal relationships, is being aggressively sought by the capitalists . . . [who] . . . hope that good personal relationship will protect them even if there is a major reversal in [China's] economic policy or political upheaval. Three main techniques are used to develop good *guanxi*. First, it is built through social gatherings, an endless stream of senior PRC officials who are being treated to lavish banquets and bestowed with presents. . . . Second, preferential deals are struck to ensure that PRC officials will record a positive report in their business dealings. . . . Third, capitalists have assisted officials' relatives by providing them with prized jobs outside the PRC or by contributing to the cost of educating the sons of officials overseas or providing other subsides.[16]

Like the mainland Chinese bourgeoisie in Hong Kong, the local bourgeoisie cherish the utilisation of *guanxi* to safeguard political and economic interests.

The intimate relations between the bourgeoisie and some mainland Chinese bureaucrats has brought about an alliance that has postponed the pace and limited the scope of Hong Kong's political reform from now to the post-colonial era. In 1985, the Hong Kong government published a

document indicating that direct elections would be introduced to LegCo in 1988. PRC officials openly opposed the proposed constitutional changes for fear that a movement for an independent Hong Kong might develop in advance of 1997. In support of China's arguments, the bourgeoisie in both ExCo and LegCo persuaded the Hong Kong government to abandon the introduction of direct elections to the colonial legislature for 1988.

Since the transition period began in 1984, a triple alliance has gradually formed between the local bourgeoisie, the mainland Chinese bourgeoisie in Hong Kong and the middle-class nationalists. Above all, this triple alliance has stunted the progress of democratisation. Whenever the middle-class liberals mobilise the public in support of democratic reforms, the triple alliance takes measures to resist such a move towards democratisation. Consequently, Hong Kong's political reforms have remained very limited and piecemeal. Although the Basic Law – a mini-constitution for post-colonial Hong Kong – states that the SAR legislature will have half of its members directly elected somewhere between 2003 and 2007, the prospect of having all legislators directly elected has been indefinitely postponed. Although Governor Patten's political reform model is being implemented, most of these reforms, in particular the changes within LegCo, will not survive beyond 1997 as China vows to overturn the democratising political structure sooner or later.

Overall, the disunity of the new rich has paved the way for pro-China Hongkongers to govern Hong Kong after 1997. Since 1991, China's appointment of the local bourgeoisie and middle-class nationalists as its advisers on Hong Kong affairs has resulted from the strategy of co-opting the new rich, a strategy that had already been adopted during the Basic Law drafting process from 1985 to 1990. Co-option of the new rich is a means by which China hopes to prevent middle-class liberals from capturing Hong Kong's political institutions after 1997, and to legitimise and control Hong Kong's politics itself. In reality, the Hong Kong bourgeoisie has become the loyal political supporter of PRC officials, if not their puppet. The capitalist class now has a firm conviction that close interaction and cooperation with PRC officials is the best way to achieve the 'universal interest' of maintaining Hong Kong's economic prosperity and political stability.

At the same time, however, the local bourgeoisie is by no means homogenous and it sometimes has internal tensions. While most capitalists are pro-Beijing, sometimes there are conflicting views. In the wake of the Tiananmen incident, some capitalists led by businessman and chairman of the Hong Kong General Chamber of Commerce Vincent Lo Hong-sui reached a temporary compromise with middle-class liberals concerning an appropriate political model for post-1997 Hong Kong. The model was

known as the '4-4-2 consensus', the numbers relating to the proportionate membership of the Legislative Council. At present LegCo membership is determined in one of three ways: appointment by the governor; direct election; and election through functional constituencies – the business and professional associations in a number of areas of activity, such as, for example, commerce, law, industry, labour and education. Lo's proposal was that in 1997 40 per cent of legislators should be directly elected, 40 per cent elected from functional constituencies and 20 per cent appointed by the government. One purpose of Vincent Lo's compromise with the liberals was to compete with a political model proposed by a member of the pro-Beijing bourgeoisie, Lo Tak-shing, a former member of both LegCo and ExCo and the organiser of the pro-Beijing New Hong Kong Alliance.

Lo Tak-shing's dramatic shift from a pro-British stance (he resigned from LegCo in 1984 and holds a British passport) to a pro-China position alienated some capitalists. His visit to Beijing shortly after the Tiananmen incident, in the eyes of both middle-class liberals and some capitalists, corroborated for some the commonly held view that he was an opportunist. Although drafters of the Basic Law rejected all the political models proposed by Hongkongers and opted for a conservative blueprint for post-1997 Hong Kong, the rivalry between Vincent Lo and Lo Tak-shing illustrates the potential for different political stands within the indigenous bourgeoisie.

Moreover, some middle-class nationalists also have disagreements with the pro-China local bourgeoisie. For example, lawyer Liu Yiu-chu is at loggerheads with Lo Tak-shing, although both strive to win the favour of PRC officials. It is reported that Liu is highly critical of some capitalists, such as Sir Sze-yuen Chung, who were formerly the political appointees of the colonial government but who have become loyal to China since the start of the transition period.

In the event that the bourgeoisie splits into competing factions, as with the elite strife between two 'Los', democratisation in Hong Kong may have more political space than conventional wisdom assumes. Any serious split within the bourgeoisie would provide a golden opportunity for middle-class liberals to ally with a capitalist fraction, thus opening the possibilities of accelerating the pace and widening the scope of political reform in Hong Kong after 1997.

In short, the rise of the new rich, especially the middle-class segment, has had the immediate political impact of stimulating elite participation and conflicts. Moreover, the local bourgeoisie has sought to compete with middle-class liberals by forging an alliance with both middle-class nationalists and the mainland Chinese bourgeoisie in Hong Kong. Although the triple pro-Beijing alliance will no doubt limit the speed and

extent of political reform in the SAR, any rivalry within the alliance will probably have the unintended consequence of creating a democratic opening, though limited, for Hong Kong after 1997.

ECONOMIC IMPACT

The rise of the new rich has both directly and indirectly contributed to inflation in Hong Kong since the late 1980s. It is said that the continual emigration of the new rich is 'the major factor underlying high and rising inflation'. Because a large number of professionals and entrepreneurs have left Hong Kong, the depletion of human resources 'exerts [an] upward pressure on prices'.[17] Some Hongkongers blame the high inflation rate on the rigid peg between the Hong Kong and US dollars, which prevents the colonial government from tackling inflation through higher interest rates. However, many members of the new rich have to shoulder part of the responsibility for inflation. A considerable proportion of the new rich are part-time or full-time property speculators. Since the 1980s, estate agents have mushroomed, and even grocery stores have started to advertise their access to various desirable properties for sale. Although some members of the new rich who are real estate agents may only earn a commission, others buy and sell in the property market. It was not until November 1991 that the government sensed the urgency of curbing property speculation by introducing a 2.75 per cent stamp duty on all transfer of flats valued at more than HK$1.5 million. None the less, the 2.7 per cent stamp duty failed to directly curb property speculation and indirectly control inflation. Opportunistic and materialistic elements of the new rich could still not only earn considerable amounts of money, but they also pushed the property prices so high that in 1994 the Patten Administration vowed to take measures to regulate the property market.

Yet, the local bourgeoisie remains a major stumbling block for the government's attempts to control property speculation. On the one hand, real estate developers and property agents openly praised the government's anti-inflationary package, which included not only the imposition of stamp duty but also the import of foreign workers. On the other hand, they also actively lobbied the government against any measures that would have a detrimental impact upon the property market. It is ironic that when Financial Secretary Hamish Macleod revealed his anti-inflationary plans in 1991, he had to reassure the capitalists that his 'intention is not to cause a very radical slump in property nor is it my intention to cause the stock market to go into a tailspin'.[18] Many capitalists explicitly refuted any linkage between property prices and inflation. Ronald Arculli, the LegCo

member for the real estate and construction constituency, argued that 'High property prices do not account for high inflation, as the consumer price index does not take into account property prices.'[19] Yet this argument turns a blind eye to the artificial and abnormal pressure that property speculation exerts on the price of housing, which in turn triggers an increase in the prices of various goods and services, thus accelerating the rate of inflation. Arguably, Hong Kong remains a colonial capitalist state in which its relative autonomy *vis-à-vis* the local bourgeoisie is quite limited. Any policy that threatens the interests of the bourgeoisie is bound to be modified or watered down. A case in point is the recent opposition by bankers to the Consumers Council's suggestion that the government should change the interest rate arrangement and practices in the banking industry.

In addition, the activities of the indigenous bourgeoisie are making Hong Kong's economy increasingly dependent on the PRC. The relocation of many Hong Kong industries to China's southern provinces shows that the bourgeoisie is taking advantage of cheap labour and land in the mainland. Since 1989, the Hong Kong business community, in particular the construction sector, has lobbied the colonial administration to import workers from China so that various infrastructural projects could be completed. For the British colonial administrators, the policy of importing mainland Chinese workers can contribute to the successful completion of the new airport at Chek Lap Kok, an important project in Britain's vision of its withdrawing from Hong Kong in 1997. The current Patten Administration also believes that Hong Kong needs to import some mainland Chinese labourers whose skills and expertise are deficient in the territory. The convergence of interests between British policy-makers and the Hong Kong bourgeoisie paradoxically makes the colony's economy even more reliant on its labour supply from China than ever before.

SOCIAL IMPACT

Since the mid 1980s, the emergence of the new rich's middle-class segment has added to the complexity of Hong Kong society and made it more liberal and pluralistic. Middle-class liberals have demanded that the colonial government should enact a Bill of Rights; establish a Human Rights Commission; introduce a Freedom of Information Act; and repeal Article 27 of the Public Order Ordinance which made it a criminal offence for the media to publish 'false news likely to alarm public order or disturb public order'. Vociferous opposition from middle-class citizens, particularly journalists and lawyers, pressurised the government to delete Article 27 of the Public Order Ordinance in January 1989. Moreover, the government decided to

enact a Bill of Rights after the Tiananmen incident, hoping that this would boost political confidence in Hong Kong. However, a Freedom of Information Act and the Human Rights Commission were rejected on technical and financial grounds.

Since the enactment of the Bill of Rights, middle-class liberals have urged the government to amend existing ordinances that no longer conform. Accordingly, in 1994 the government appointed an independent committee to study the ways in which the extensive power enjoyed by the Independent Commission Against Corruption (ICAC) would be curbed, although the ICAC often sees the Bill of Rights as a check on its investigatory power.[20] Middle-class liberals have also demanded that the colonial administration should relax the British Official Secrets Acts of 1911 and 1920, largely because of their negative effect on reporting and the news media. Although the Official Secrets Acts still remain, the Hong Kong government generally refrains from enforcing them for fear of arousing public outrage.

It is undeniable that the democratic aspirations and activities of middle-class liberals have made significant contributions to enhancing the degree of existing societal freedom and subsystem autonomy. Above all, social pluralism gives rise to some degree of political pluralism. The formation of numerous pressure groups by middle-class liberals in the mid 1980s provided a momentum for the birth of political parties. Recent trends have indicated that these liberal parties are trying to pool their resources to compete with capitalist and left-wing groups in elections.

It is far from certain that the society of post-1997 Hong Kong will remain as liberal and pluralistic as during the present transition period. Clearly, Governor Patten's strategy is to liberalise and democratise Hong Kong to the utmost and possible limits so that China will not be able to control Hong Kong's pluralistic society and open polity after 1997. However, China is not a signatory of the International Covenant on Civil and Political Rights. Certainly, the maintenance of the Bill of Rights in post-1997 Hong Kong will be determined by China. When the Bill of Rights was passed by LegCo in June 1991, the Chinese Foreign Ministry announced that the Bill, as with all other legislation, was subject to repeal in Hong Kong after 1997. In the event that this announcement was merely a political gesture, the Bill of Rights might still survive beyond 1997. But even if the Bill does survive, some of its ordinances will probably be watered down or rendered ineffective.

There is a danger that the Bill of Rights may be applied inappropriately to some bribery trials. A case in point is the acquittal of six former Stock Exchange officials and a solicitor in June 1992. They were charged with

accepting favours for facilitating the listing of six companies on the Hong Kong Stock Exchange. However, the trial judge directed the jury that, because of the Bill of Rights, there was 'no longer any onus on the defendants to prove that they were justified in accepting the shares' in the six newly listed companies.[21] A proponent of the Bill of Rights, law lecturer Nihal Jayawickrama commented that he was disturbed by the way in which the Bill of Rights was used because its relevance to the case was not subject to thorough legal argument.[22]

The unexpected and unprecedented application of the Bill of Rights to the bribery trial in June 1992 has important implications for Hong Kong society. Some elements of the new rich, no matter whether they are capitalists or not, will probably use the Bill of Rights as a tool to protect themselves against charges of corruption. In other words, social justice will probably be undermined if the Bill continues to be misused in Hong Kong where there has been an upsurge in corruption in both private and public sectors since the late 1980s. What is more, the misuse of the Bill of Rights may provide an opportunity and a justification for the post-1997 government to repeal the Bill.

Ironically some members of the new rich, who have advocated that the power of the ICAC should be curbed in line with the Bill of Rights during the transition period, may eventually find that the ultimate obstacle to anti-corruption action after 1997 will be the Bill itself. So far, middle-class liberals do not feel that the Bill of Rights has adversely affected the drive against corruption. However, some conservative-minded lawyers, such as pro-Beijing Queen's Counsel Henry Litton, argue that the Bill of Rights has threatened Hong Kong's judicial and legal system because it has undermined the ability of the government to implement legislation such as the Dangerous Drugs Ordinance. Unlike middle-class liberals who still have high hopes for the Bill of Rights and who often complain that it fails to curb police power, conservative members of the new rich stress what they believe is the Bill's ability to aid those engaged in illegal activities. In any case, the attempt to maintain the Bill of Rights after 1997 will most probably polarise and politicise Hong Kong's society, where conservative members of the new rich are seen by liberals as an obstacle to the protection of civil liberties.

INTERNATIONAL REPERCUSSIONS

Hong Kong's incessant emigration to industrialised countries like Australia, Canada and the United States has important international repercussions. Those Hongkongers who have left the colony are mostly

members of the new rich, particularly middle-class professionals and capitalists. The exodus of Hongkongers reached an apex in 1990, one year after they had been shocked by China's Tiananmen incident. About 62,000 Hongkongers left the colony in 1990. Since 1991, however, many members of the new rich who emigrated to foreign countries have returned to Hong Kong. Moreover, the number of Hongkongers applying for emigration to Canada from January to May 1992 decreased by 40 per cent compared to the same period in 1991. The major reason for an apparent decrease in the number of emigrants and increase in that of returnees is the relatively poor recent economic performance of Canada and Australia. One member of the new rich who returned to Hong Kong in 1990 was fairly typical: 'In deciding whether to stay in Canada or Hong Kong, there are different values that must be considered. In Hong Kong there's job satisfaction and financial security. The economy is on the upswing. This is definitely the place to work.'[23]

Regardless of recent changes in the migration pattern of Hong Kong's new rich, Canada and the United States have formulated and implemented new policies towards Hong Kong since the late 1980s. The new Canadian and American policies can be attributed partly to the question of Hong Kong's future, and partly to the lobbying activities of the middle-class segments of Hong Kong's new rich in exile. Since 1989, the Canadian government has become more vocal on the issue of democratisation in Hong Kong than ever before. A briefing paper prepared by the Canadian government for the former prime minister Brian Mulroney's visit to Hong Kong in April 1991 asserted that the Tiananmen incident 'exposed the potential weakness of the [Sino-British Joint] Declaration as a guarantee of Hong Kong's prosperity. It also resulted in an accelerated loss of confidence by the residents of Hong Kong regarding post-1997 arrangements.' In Hong Kong, Mulroney was explicitly critical of China: 'any system that tries to promote economic growth without fundamental respect for the well-being of the individual and the value of human freedoms is doomed to mediocrity'.[24] Apart from support for democratisation, the Canadian government has attempted to identify Canadian citizens residing and working in Hong Kong so that, if the worst were to happen, an emergency evacuation could be mounted. In July 1994, the Canadian Minister for Foreign Affairs, Audre Quellet, visited Hong Kong and tried to secure an assurance from PRC officials that the rights of Canadian citizens residing there will be protected in Hong Kong after 1997.

US policy towards Hong Kong has also changed since the Tiananmen incident. While the former US Consul General in Hong Kong, Burton Levin, refrained from making any comment on Hong Kong's political

reform, his successor Richard Williams openly supported democratisation in the territory before 1997. Moreover, American Vice-President Dan Quayle agreed to meet with Hong Kong liberal leader Martin Lee – a move that ran the risk of irritating China. In April 1992, the US Administration even supported a Hong Kong bill proposed by senator Mitch McConnell. Originally, the draft bill suggested that the US Administration be required to report to the Congress annually on China's implementation of the Sino-British Joint Declaration. But during McConnell's visit to Hong Kong in April 1992, the Hong Kong bourgeoisie openly opposed this requirement in the bill for fear of undermining Sino-American relations and thus victimising Hong Kong. As a result, McConnell revised his bill, which formalised US relations with Hong Kong and required the American government to be more concerned about the territory in areas such as trade, culture and immigration after 1997.

The middle-class segment of Hong Kong's new rich thus succeeded in influencing the US government to adopt a more progressive and active policy towards the territory from now until the post-1997 era. Since the mid-1980s, and especially after the Tiananmen incident, middle-class liberals have sent representatives to lobby US Congressmen, urging the American government to take measures that would protect the Hong Kong people after 1997. Some members of the Hong Kong new rich who emigrated to the United States and Canada have also assisted the liberals in these lobbying activities.

In view of Hong Kong's uncertain future and the crisis in confidence of the territory's new rich, one American Sinologist, Harry Harding, has suggested that the United States should 'provide a safety valve [for Hongkongers] if there are serious problems in the transition'. Harding also proposes that the American government should provide more opportunities for emigration from Hong Kong by issuing visas that will be valid until 2002; that it should emphasise the importance of autonomy and democracy to the territory's economic prosperity; and that it should provide technical assistance to Hong Kong's democratic institutions or political parties through private foundations and organisations such as the National Endowment for Democracy.[25] Indeed, Harding's proposals, if adopted by the US government, would no doubt boost the political confidence of the Hong Kong new rich, particularly middle-class liberals. Yet, any technical assistance provided by American non-governmental organisations to Hong Kong's political parties would be a very sensitive issue irritating PRC officials, who might stress that the Basic Law does not allow any organisation in the SAR to have links with foreign political bodies. Therefore the US policy towards Hong Kong may have to be formulated and implemented in such a way as to strike a balance between

protecting Hong Kong's autonomy and freedom after 1997 and avoiding infuriating the PRC authorities.

CONCLUSION

The rise of Hong Kong's new rich has had significant impact in the political, economic and social spheres. Politically, the emergence of the new rich has contributed to some degree of pluralism. Whether such limited pluralism will change remains to be observed. Economically, Hong Kong is becoming more dependent on China than ever before, and thus Hong Kong will definitely be affected by any change in China's political and economic circumstances. Socially, liberalisation has been implemented to its permissible limits. But in the event that China's political system remains authoritarian, Hong Kong's liberalisation may be curbed to some extent after 1997. Perhaps these uncertainties in Hong Kong's polity, economy and society may only be reduced or offset by an increase in the international concern over Hong Kong's future.

NOTES

1 According to a Hong Kong government official, the 'sandwich class' refers to those households with a monthly income from HK$18,000 to HK$40,000. These people include professionals, middle-level managers, teachers, nurses, technicians and social workers. See *Ming Pao* (*MP*), 7 April 1992, 59.
2 Ralph Miliband, *Marxism and Politics*, London: Oxford University Press, 1977, 25.
3 See for example S. P. Huntington, *The Third Wave: Democratisation in the Late Twentieth Century*, Norman: University of Oklahoma Press, 1991, 59–72. According to Huntington, the middle class consists of 'businesspeople, professionals, shopkeepers, teachers, civil servants, managers, technicians, clerical and sales workers' (p. 66).
4 For a study of Shanghai capitalists in Hong Kong, see Wong Siu-lun, *Emigrant Entrepreneurs: Shanghai Industrialists in Hong Kong*, Hong Kong: Oxford University Press, 1988.
5 Jae Ho Chung, 'The Politics of Prerogatives in Socialism: The Case of *Taizidang* in China', *Studies in Comparative Communism*, XXIV(1), 1991, 63.
6 *Nan Bei Ji* (*The Perspectives*, Hong Kong Chinese magazine), June 1993, 40.
7 *Hong Kong United Daily News*, 21 May 1994, 1.
8 The former director of China's New China News Agency in Hong Kong, Xu Jiatun, admitted in his memoir that he disagreed with the central government over attempts to regulate the activities of mainland Chinese enterprises in Hong Kong. Xu believed that these enterprises should 'learn' from Hong Kong's capitalism, a belief that, to a certain extent, had the unintended consequence of giving a relatively free hand to the mainland Chinese bourgeoisie to engage in corrupt and speculative activities in Hong Kong. For Xu's views, see *Xu*

Jiatun's Xianggang Huiyilu (*Xu Jiatun's Hong Kong Memoir*), Taipei: Lianhebao, 1993, part 1, 246–252.

9 For the attitude of the bourgeoisie towards the proposed old-age pension scheme, see David Chu's article, 'Politicians Profit from Failed Pension Scheme', *South China Morning Post*, 9 August 1994, 19.

10 The LDF was formed by businessmen such as Dr Philip Kwok Chi-kuen and Hu Fa-kuang. The CRC was founded by some legislators and members of the Executive Council, such as Allen Lee Peng-fei, Rita Fan, Selina Chow, Edward Ho Sing-tin and Stephen Cheong. For the formation of the LDF, see Norman Miners, *The Government and Politics of Hong Kong*, Hong Kong: Oxford University Press, 1991, 5th edn, 200–201.

11 The UDHK, led by lawyer Martin Lee and educator Szeto Wah, was formed after the Tiananmen incident. The HKDF was founded by some Hong Kong Chinese professionals and British expatriates. The leaders of the HKDF are medical doctors Dr Leong Chi-hung and Siu Yin-ying, and business consultant Jimmy McGregor.

12 Louis Cha, *On Hong Kong's Future: A Collection of Ming Pao's Editorials*, trans. Stephen Wang, Hong Kong: Ming Pao Daily News, 1984, 306.

13 Personal interview with Dr Philip Kwok Chi-kuen, 19 June 1990. Dr Kwok is the director of the Wing On Company Ltd and the vice-chairman of the LDF.

14 Personal interview with Jimmy McGregor, 12 June 1990. McGregor worked in the Commerce and Industry Department of the Hong Kong government for twenty-two years, and in the late 1970s he became the director of the Hong Kong General Chamber of Commerce.

15 Lai wrote: 'Li Peng [the Chinese premier], you are a shame on the country. . . . To have this *wong bak dan* [a very rude expression in Chinese meaning a stupid and bad person] like you among Chinese who have a civilisation of 5,000 years is something sad for us. In the past 40 years, the Chinese Communist Party has borne China the greatest harm, causing a decline in the Chinese moral standards. Not only are you a *wong bak dan*, but you are also a *wong bak dan* with zero IQ.' See *South China Morning Post*, 8 August 1994, 1.

16 Danny Kin-kong Lam, 'Hong Kong Chinese Emigration and Investment in Response to 1997', paper presented at the 31st annual meeting of the American Association for Chinese Studies, 24–25 August 1989, University of Wyoming, Laramie, Wyoming. Cited with the express permission of Professor Lam.

17 Alan K. F. Siu and Luk Yim-fai, 'The State of the Economy', in Richard Y. C. Wong and Joseph Y. S. Cheng (eds) *The Other Hong Kong Report 1990*, Hong Kong: Chinese University Press, 1990, 211.

18 *South China Morning Post*, 7 November 1991, 1.

19 'Property Post', *South China Morning Post*, 13 November 1991, 1.

20 The year 1994 can be viewed as a political bombshell to the ICAC, which dismissed a top senior local officer, Alex Tsui, without giving any reason. It was eventually revealed by the ICAC that Tsui had close relationships with his friends who were involved in criminal activities. See Lo Shiu-hing, 'ICAC', in Donald H. McMillen and Man Si-wai (eds) *The Other Hong Kong Report 1994*, Hong Kong: Chinese University Press, 1994.

21 Stacy Mosher, 'Bill of Wrongs', *Far Eastern Economic Review*, 9 July 1992, 16.

22 S. Mosher, 'Declaring an Interest', *Far Eastern Economic Review*, 13 June 1991, 16.
23 *Asiaweek*, 14 February 1992, 33.
24 S. Mosher, 'Declaring an Interest', 12. The Bill of Rights was drafted by the Hong Kong government in consultation with a Canadian Supreme Court judge, Barry Strayer.
25 H. Harding, 'The Emergence of Greater China: Hong Kong, Taiwan, South China. How US Policy Will Have to Change', *The American Enterprise*, May–June 1992.

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South Korea

GENERAL

Land area	98,445 sq. km
Population (mid 1992)	43.7 million people
Nominal GDP (1992)	US$296,136 million
share of agriculture	8%
share of industry	45%
share of manufacturing	26%
share of services	47%
Average annual GDP growth rate (1980–1992)	9.4%
GDP per capita (1992)	US$6,777
GNP per capita (1992)	US$6,790
Monetisation level (broad money [M2] as % of GDP; 1992)	57.9%
Average annual growth rate of M2 (1980–1992)	21.6%
Central government budget surplus or deficit as % of GNP (1992)	– 0.9%
Current account surplus or deficit (after official transfers; 1992)	– US$4,529 million
Merchandise trade surplus or deficit (1992)	– US$5,019 million
Gross domestic savings as % of GDP (1993)	35%
Gross domestic investment as % of GDP (1993)	34%
Tax revenue as % of GNP (1991)	16%
Total external debt (1992)	US$42,999 million
Percentage of population of working age (15–64; 1990)	69.6%
Number of students in higher and university education (1993)	1.7 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US$6,080
Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1988)*	5.7

Percentage of urban population (1992)	74%
Total employment (1993)	19.2 million
of which professional, technical, administrative, managerial workers	10.3%
of which clerical, sales, services workers	43.2%
of which agriculture, production, transport workers and equipment operators	46.4%
Gross tertiary enrolment ratio (1990)**	15.0
Life expectancy at birth (1992)	70.4 years
Population with access to safe water (1988–1991)	92%
Total consumer expenditure (1992)†	US$158,517 million
share of food, drink and tobacco	34.4%
share of clothing and footwear	4.2%
share of housing and fuels	15.4%
share of household goods and services	5.8%
share of health	7.3%
share of leisure and education	11.3%
Per capita energy use (oil equivalent; 1992)	2,569 kg
People per telephone (1990)	3.0
People per TV (1990)	4.7
People per doctor (1989)	1,065.7
Per capita consumption of beef (1991)	4.2 kg
Per capita consumption of poultry (1991)	4.2 kg
Per capita consumption of fish (1991)	60.3 kg
Per capita consumption of soft drinks (1992)	45.8 litres
Book titles published (1990)	39,330

Notes:
* Data refer to income shares by fractiles of households, ranked by household income.
** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
† The percentage figures for consumer expenditure are on selected items only.

Sources:
Euromonitor, *International Marketing Data and Statistics*, 1994
ILO, *Yearbook of Labour Statistics*, 1993
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8 The new rich and the new middle class in South Korea

The rise and fall of the 'golf republic'

James Cotton and Kim Hyung-a van Leest

In South Korea, aspirations to middle-class status are now very widely held, and rapid social development has led to a corresponding increase in the availability to households and individuals of disposable income for non-subsistence purchases and investments. At the same time, the lifestyle and attitudes of the very rich social stratum associated with the ascendancy of the large family-owned industrial conglomerates has provided a model of consumption to emulate for the middle and would-be middle classes. Rather than copy the attitudes and manners of the old Confucian landlord ruling stratum, Korea's middle stratum is now more likely to follow the pattern being established by the business elite. Burgeoning trade deficits are one indicator that this popular interest in consumption is perhaps premature.

This chapter discusses, in the changed conditions brought about by democratisation and continued social and economic change, the response of the state to the rise of these relatively affluent social strata and social aspirations. It will be argued that this response has been twofold and to an extent ambiguous. Initially in politics, means were sought to enhance the appeal of the ruling party to individuals of this background and outlook. Over time, and especially after the inauguration of the Kim Young-sam Administration, the burgeoning of money-based politics brought a sharp correction from the state. In policy – for reasons of the balance of trade but also in the interests of public morality – the state has sought to constrain manifestations of an affluent lifestyle, but has found that a general commitment to liberalisation and deregulation has lessened the availability of effective policy levers.

POLITICS AND SOCIAL TRANSFORMATION

The democratisation of the Republic of Korea in 1987 introduced new ambiguities and tensions in the relationship between the state and society.

Until that time it could be maintained that the state in Korea was largely an autonomous entity, dominated by members of a relatively narrow coalition of interests, principally drawn from sections of the military assisted by senior bureaucrats. The initial priorities of the Park Chung-hee regime, which came to power in 1961, were austere, with conspicuous consumption and profiteering targeted for harsh measures. Chun Doo-hwan (president 1980–1987) began with a purge of those who had used public office for profit, although his rule later became synonymous with a series of incidences of corruption (Chun's own brother serving a prison sentence in 1988 for appropriating revenues from the government's rural extension, the *Saemaul Undong*). Chun was also forced to return to donors more than US$40 million which he had collected (with the assistance of a former finance minister and the chairman of the Hyundai corporation) to establish his Ilhae Foundation which was intended to serve as a power base during his retirement.

But Park initiated, and with significant modifications Chun continued, a policy of rapid export-oriented industrialisation which was to have effects on Korean society that ran counter to this commitment to austerity. On the one hand this strategy transformed the social structure, creating not only a sizeable working class, but also an increasingly significant middle class. The latter included managers, technical personnel and business proprietors, as well as the bureaucrats and administrators who were an integral part of the government's programme. In addition, the particular vehicle that Park employed to achieve industrialisation was the large manufacturing and services conglomerate, the *chaebol*.[1] The relative size of these conglomerates can be judged by the fact that the value of the sales of the ten largest has in some years been equivalent to around 60 per cent of the Korean GNP.[2] As these were almost invariably family owned, a small group of extremely wealthy industrialists emerged to occupy the upper slopes of the social pyramid.

Many mechanisms were devised, however, to constrain consumption and prevent all but a very few from pursuing an affluent style of living. Even at present the Korean won is not a fully convertible currency, and until 1986 overseas travel was not generally permitted and the amounts of money that travellers could take or have remitted abroad were small. The structure of the Korean market prevented the importation of many foreign goods, and long working hours (on average fifty-three hours per week in the manufacturing sector in 1985) limited the time that could be spent on personal indulgence. In this respect as in many others, the Korean social and political systems are in transition.

NEW SOCIAL STRATA

Given the rapidity of Korea's transformation, both the middle classes and the owners of the large combines and their associates are, in a sense, Korea's 'new rich'. The precise dimensions of these strata are a matter of some dispute among analysts of Korean society.

Although a degree of ambiguity exists in the usage of these terms, Korean scholars generally distinguish between the new middle class or stratum (*sin chungan-gyegup, sin chungan-ch'ung*) and the old middle class or stratum. Han Sang-jin, for example, categorises the new middle class as those who are 'workers in both private and public institutions; [while] the old middle class . . . are those who are generally the owner-managers of sales, service, or business enterprise linked to production'.[3]

In the early 1980s such leading academics as Professors Kim Yong-mo, Hagen Koo (Ku Hae-kun) and Hong Tu-sung defined the middle class by way of a combination of Marxist class theory and Weberian social status theory. Their main premise was that Korean society had not yet attained a thoroughly modern class structure, but was as yet characterised by a 'quasi-structure'. Ku argued that, along with new class features, elements of the older class structure still existed. He identified the new middle class as emerging from three groups in society: those in industry (mainly white-collar workers); officials and technocrats in the public service; and the urban and rural petty bourgeoisie. Basing his analysis on statistics for 1975, Ku identified 10.5 per cent of the population as the new middle class.[4]

In a more recent work which takes a similar approach, So Kwan-mo has argued that the new middle class (or 'new middle stratum of various groups') has grown from 4.3 per cent of the entire class structure in 1960, to 6.8 per cent in 1975, to 11.0 per cent in 1985.[5] So stresses the political and social variability of this group, arguing that much of its character derives from the fact that it lacks independence, being caught between labourers and owners of capital. Reviewing the evidence, Hagen Koo accepts the estimate that the 'new middle class' – all non-manual workers, but excluding those who are self-employed – comprised 17.7 per cent of the population in 1980 (an increase from 6.6 per cent in 1960). Excluding lower-level clerical workers from this group still produces a figure of 10.5 per cent.[6]

From sample survey data (Table 8.1) it is clear that around 33 per cent of Koreans designate themselves as 'middle class'. In addition, with the average monthly income in Korea standing at around 900,000 won (in 1991), the fact that more than 20 per cent of Koreans classify themselves as engaged in employment asociated with middle-class status, income and

Table 8.1 Occupation, class identification and income

	%	*(Case)*
Occupation		
Self-employed farming	17.1	(213)
Self-employed trading	10.8	(136)
Blue collar	14.2	(177)
White collar	16.2	(202)
Housewife	32.9	(411)
Student	3.6	(45)
Other/unemployed	5.2	(65)
Monthly income		
Less than 600,000 won	33.6	(421)
610,000–1,000,000 won	40.5	(505)
More than1,010,000 won	25.9	(324)
Self-assessed class		
Lower class	26.6	(333)
Lower-middle class	33.9	(423)
Middle class	33.0	(413)
Upper class	6.5	(81)
Sex		
Male	49.5	(619)
Female	50.5	(631)

Source: National 1,249 sample survey of adult Korean population, weighed according to census data, conducted in November 1991 by Gallup (Korea) according to a survey design by James Cotton

occupation data confirms the impression that this stratum is now a sizeable element in the Korean population. It is also noteworthy that a larger proportion of the population than that identified by objective indices would describe themselves as middle class. If the middle class is a significant stratum, aspirations to middle-class status are even more widely held.

As to the social elite, marriage alliances have tended to produce an interlocking social stratum in the upper reaches of Korean society. On the one hand, a number of second- and third-generation members of the *chaebol* families have intermarried, helping to establish a common social reference group for the most affluent and powerful elements of Korean society. On the other, some of their siblings have formed marriage alliances with key members of the military–political and bureaucratic elites. To take

some examples, the family of the leading conglomerate, Samsung, is now linked through marriage to the families of Lucky-Goldstar and Tongbang Saenmyong. Former president Roh Tae-woo also developed connections with the families of the *chaebol*; Ch'ae Chong-hyon, the proprietor of the Sonkyong group, is father-in-law to his daughter, and Sin Myong-su, of Tongbang Yuryang, is father-in-law to his son.

The influence of these relationships on Roh's approach to economic and industrial policy was often a matter for speculation in Korea. It has been alleged that the influence of Sin Myong-su was instrumental in the government's decision to lower interest rates at the beginning of 1991. Indeed, the role of these informal connections can be detected in bringing the factions of the Democratic Liberal Party (DLP) together in the grand coalition of 1990. Sin Myong-su has been a long-time supporter of Kim Young-sam, by virtue of the fact that Kim's father and Sin's father were close friends. Having joined with Roh's party in 1990, Kim was designated as presidential candidate for the subsequent elections by the DLP, and became in effect Roh's appointed successor.[7]

In addition to the new middle class and the elite families, a speculative stratum has also appeared. According to an estimate made by the Office of National Taxation Administration, the 'idle' super-rich (*muwui-dosikja* or *yuhan-jok*) who do little but 'eat and play' total approximately 70,000 to 80,000. These individuals made their fortunes largely either from 'trading in real estate in the 1970s' or from 'investing money in the 1980s'. Of these people, about 30,000 are private money-lenders (given stringent official financial rationing, essential functionaries in the Korean economy), owners of real estate, dealers in stock or owners of pleasure resorts.[8] Their personal fortune, which totals around 8,000 billion won (about US$10 billion) was equivalent to one-fifth of the GNP in 1982. The size of the underground economy, in which these individuals play an important role, is estimated by some economists to be as much as 40 per cent of the national economy. In 1990, a special presidential team investigated 470 people throughout Korea, who were identified as leading figures of society who indulged in an extravagent lifestyle while they engaged in speculating in real estate. The government subsequently estimated the size of the 'unearned income' thus derived to be 'as much as the size of the GNP'.[9]

MANIFESTATIONS OF THE AFFLUENT LIFESTYLE

As there have been six changes of political regime in Korea since 1948, the era that began with the democratisation of 1987 is generally known as the sixth republic. However, some commentators found it more appropriate to

refer to the Roh Tae-woo era as 'the golf republic'. Indeed, while Roh Tae-woo was the incumbent of the Blue House (the Korean presidential complex) he not only presided over a golf boom, but was sometimes personally involved in the procedures that led to golf-course licensing and construction.

By September 1991 there were 60 golf courses in operation throughout Korea, with a further 118 under construction. Of these, 81 were within the Seoul metropolitan area (28 presently in business, 53 under construction). The cost of these 118 facilities has been estimated at 3,000 billion won (US$3.7 billion), a sum equivalent to that being spent by the Korea Housing Corporation for the construction of 180,000–200,000 smaller housing units which were being built at the same time to alleviate the accommodation shortage.[10] Golf-club membership is stratified, with some clubs reserved exclusively for senior members of the *chaebol* companies and other important figures. The prices of items of golf equipment often run into thousands of dollars, and multiple golf-course membership cards for the serious player can cost from 16,000,000 to 185,000,000 won (US$20,000 to US$230,000) each.[11]

The golf boom which occurred during the Roh Tae-woo administration was labelled by some commentators as 'the new absurdity of the sixth republic'.[12] Owning a golf course is a common objective of the Korean *chaebol*, and associating with golf-course owners is often the wish of government officials of all ranks. Yet land suitable for golf-course development is extremely scarce in a nation as mountainous as Korea, which is also the world's third most densely populated country. Already, golf courses occupy about 18.6 million *pyong* (6,150 hectares) or about 0.3 per cent of the entire agricultural land of Korea.[13] Given the continued emphasis on the need for Korea to produce its own staple foods such as rice (the market for which, despite international pressure, is as yet closed to international competition), and the fact that participation in golf is only available to the rich and leisured, further golf-course construction is not popular with the public. In the Roh Tae-woo era, after a public outcry, permission was withdrawn for four of the leading *chaebol*, Samsung, Lucky-Goldstar, Tong-a and Korong, to develop golf courses.

Golf and leisure development in the Korean context requires three fundamental conditions; money, power and connections. While the first is available, the other two conditions have often been crucial. Developers endeavour to involve former and serving officials and assemblymen in lobbying for permission to construct these facilities. According to one investigative journalist, the record of the Roh administration speaks for itself:

> As soon as [the officials from] the Blue House became involved [in the process of allocating permits for golf-course construction], administrative organisations collaborated with developers and issued more licences for golf-course development in the last three years than were issued in the previous twenty years.[14]

Interest in playing the stock market – often on the part of middle-class housewives in traditional mutual credit groups (*kye*) – has grown apace with interest in playing golf.

While Korea has experienced a golf boom, other forms of leisure and pleasure-seeking have also proliferated. According to a study carried out by the Seoul City Hall, pleasure resorts, hotels (including Japanese-style love hotels) and massage parlours have significantly increased in number. While there were 713 pleasure resorts in 1983, there were 1,211 by 1986. In the same period the number of hotels increased from 658 to 853, and massage parlours from 57 to 122.[15] Luxury European imports have also entered the Korean market. In a survey of the availability of imported luxury items of clothing, sometimes being sold at prices three times higher than in their country of origin, consumers were quoted as saying that they bought such commodities 'even though they cost much more, simply because they want to look better'.[16] Meanwhile, the price of real estate escalated in a manner comparable to that seen in the Japanese market, increasing on average by 29.5 per cent in 1988 and by 32 per cent in 1989.[17]

Along with the development of such manifestations of affluence has proceeded a deepening monetisation of relations conveying status and advantage. To take a prominent example, university entrance is a key step on the way to social and professional advancement, especially if it is secured to what are agreed to be the top institutions. Applicants must sit a stringent entrance examination, and if they are unsuccessful sometimes wait a year or more to try again, meanwhile enrolling (at a considerable cost) in a crammer institution (*chaesu hakwon*) to improve their chances. Admission has sometimes been available, however, for cash. What is most noteworthy – in a culture in which the exchange of envelopes of money is not unusual – is the size to which the sums involved have grown. Three instructors at Korea's most prestigious university for women, Ehwa, were recently convicted for accepting bribes totalling 110 million won (US$142,000) in exchange for agreeing to admit a student.[18] Lesser institutions, of course, are likely to accept lesser amounts.

THE STATE RESPONSE: POLITICS IN THE ROH ERA

Prior to 1987, the Park and Chun regimes did not need to address directly the needs of the emerging middle and upper social strata. Not being dependent upon an electoral following, these governments could afford largely to ignore public opinion. There was, however, some awareness that the methods used to control other elements of the population – notably, government-sponsored corporatism and interest absorption – were less effective for the middle classes. Indeed, elements of the middle classes undoubtedly played a major role in the political upheaval of 1987, when they appeared on the streets of Seoul to protest Chun's failure to persist with democratisation.[19] Regarding the *chaebol* owners and their associates, as the conglomerates were typically dependent upon the state for finance and market access, it was easier to discipline these strata even while their share of the national wealth continued to grow, and while they began to engage in the beginnings of transnational corporate strategies. The case of the Kukje corporation, at the time the sixth largest of the conglomerates, illustrates this proposition. In 1983 Chun forced the corporation's proprietor to relinquish his holdings in favour of another conglomerate, allegedly because Kukje had failed to support sufficiently the president's Ilhae Foundation.[20]

Democratisation has changed the relationship between the Korean state and society, and no more so than in the case of the new middle and wealthy classes. There are signs of a debate within the ruling party on the ways in which a political response could be framed that would attract not only the middle class, but that mass of the population (probably a majority) who think of themselves as having an affinity with the middle class and who aspire to a middle-class style of living. Former prime minister No Chae-bong has argued that until the 1980s the middle class was not sufficiently distinguishable, either by function or self-conception, from the lower strata. Yet without a sizeable and autonomous middle class, democracy is not possible in Korea. However, No is clearly of the opinion that as yet, while the middle class is now large, 'they do not fully function as the "main force" of Korean society, because they lack solidarity and they indiscriminately support opposition groups that are harmful to their own good'.[21] From the other perspective, radicals have complained of the middle-class interest in stability and conservatism, Ch'oe Chang-jip going so far as to maintain that their commitment to democratic values is superficial, and that with the onset of a crisis 'they would prefer to return to a strengthened authoritarian system' in order to continue to enjoy material benefits.[22]

Without significant ideological or policy differences, the major political parties have therefore found it necessary to compete for the electoral support of this stratum. Prior to 1990 the four main political groupings were essentially regionally based, with each in competition for the vote of the capital city (which accounts for around 26 per cent of the total vote). The party realignment of 1990, which brought together three of these four groupings, was intended to deliver continuing support to a potentially hegemonic coalition. On the one hand the newly formed Democratic Liberal Party would henceforth command the three home regions of Roh Tae-woo, Kim Young-sam and Kim Jong-pil; respectively Taegu-North Kyongsang, Pusan and Ch'ungch'ong. On the other, the electoral strategy behind this manoeuvre attempted to take into account the changing political sociology of the Korean electorate. Survey evidence suggests that, along with regional sentiment, level of education (itself one of the indices of class in Korea) is an important variable in voter choice. In the electoral contests of 1987 and 1988, Roh's Democratic Justice Party appealed to less educated voters, whereas Kim Young-sam's Reunification Democratic Party was more strongly supported by the better educated. As educational levels rise (and regional sentiment diminishes), the impact of the education variable in voting behaviour can be expected to be even greater.[23]

Given that democratisation deprived the regime of many of its traditional levers of social control, the political and party elites found it necessary to devise new instruments of direction and influence. Forging an electoral coalition has been a major priority, but in the foreground of politics in the early 1990s the most noticeable feature was the emergence of a leadership and party style crucially dependent upon money and other resources. Money politics is no novelty in Korea, but in the Park and Chun eras money was used as an adjunct to more direct rule and influence wielding. It has been maintained that in the National Assembly elections of 1988 (the first parliamentary elections in the new democratic era), successful candidates for the (then) ruling party, the Democratic Justice Party, were required to expend more than US$1 million each.[24] President Roh Tae-woo admitted that he paid 5 million won to officials of the Seoul city administration during the presidential elections of 1987. The National Assembly elections of April 1992 were even more expensive, perhaps three times as much as those of 1987.[25] Neither was the opposition untainted in this respect, although the sums of money involved were undoubtedly smaller. The Democratic Party of Kim Dae-jung was exposed by a disillusioned former member for its practice of offering for purchase, places on the party's list of candidates for the National Assembly ballot (the first few of whom, under the Korean electoral system, were assured of acquiring a place in the legislature).

When such sums of money are expended, they must be raised, and correspondingly some benefits must be disbursed. Information about this phenomenon is bound to be fragmentary, but as a consequence of the judicial process, some instances have entered the public record. The Suso housing scandal, which came to light in late 1990, involved the payment by a construction company chairman of bribes and political donations amounting to 1.2 billion won (around US$1.67 million), including 200 million won to the opposition Peace and Democracy Party. The presidential secretary for sports and culture, Chong Tae-su, and five parliamentarians acted as intermediaries for the company, lobbying Cabinet members and government officials. This case came to light largely because of the blatant fashion in which the construction company, at a time of severe housing shortage, circumvented planning and zoning rules to build in a designated green-belt area a luxury apartment complex. Members of housing cooperatives (specially constituted to evade the lengthy queues for newly constructed housing) who would buy the apartments stood to gain quick profits by reselling their purchases.[26]

The previously stringent electoral law, which officially required party donations to be channelled through the state's Central Election Management Committee, was amended to permit the establishment of Japanese-style support organisations in constituencies. If fund-raising became easier, the new political climate also increased the likelihood that disgruntled donors might complain that they have not had a fair return for their investment. Thus Chung Ju-yung, founder of the Hyundai conglomerate, publicised the fact that he was required to donate US$6.5 million per year to the ruling party every year from 1988, but this did not protect him from intrusive tax inspection and other forms of government interference.[27] Indeed, Chung Ju-yung's subsequent revolt against the Democratic Liberal Party's stewardship of the political system was emblematic of the difficulties that politicians faced with the erosion of the formerly autonomous state. This episode also reflected the very considerable resources available to the owners of the conglomerates, and the fact that, having in many cases embarked upon the beginnings of a transnational corporate strategy, they were not as beholden to the state as in former times.

Though a close associate of Park Chung-hee, Chung's differences with Chun Doo-hwan began in 1980 when the president required Hyundai to relinquish one of its affiliated subsidiaries to the state in the name of industrial reform. Difficulties in relations with the Roh Administration arose over policy, Chung being opposed to the construction of a high-speed passenger railway linking Seoul with Pusan, and escalated as the Hyundai honorary chairman expressed public criticism of the government's

economic management. A tax audit of the group then followed, with Chung being required to pay back taxes of 136 billion won (US$180 million). Hyundai began to experience difficulties raising credit, and also capturing government contracts. Chung went so far as to complain that the president did not appear to do anything 'except for the constituents of Kyongsang Province and for his own in-law families'.[28] With his group experiencing more trouble with the government, Chung lodged a law suit against the Blue House on the grounds that Hyundai Construction had yet to receive a payment of 22.5 billion won (US$28 million) for an extension that the company built to the Blue House.[29]

Ultimately, Chung's response was to form his own political party, the Unification National Party, which, with the assistance of munificent finance and the presence on its ticket of a number of leading theatrical and media personalities, captured 31 of 299 seats in the 1992 elections for the National Assembly.[30] Encouraged by this show of support, Chung then ran for the presidency against Kim Young-sam and Kim Dae-jung, securing 16.3 per cent of the national vote. In the process Chung disrupted the conservative consensus and, given Korea's unique political sociology, sought for himself the role of power broker. Whether his motives were to gain some political leverage for his business interests, or to sound a warning that henceforth the government could not take the *chaebol* for granted, is still not clear. But these developments demonstrated that those political circumstances that allowed the government to enjoy the cooperation of the business conglomerates have been replaced by new political forms.

One influential business figure characterised the relationship between the conglomerates and the government of Roh Tae-woo in the following terms:

> The third republic [of Park Chung-hee] was the period when the objective of the government to achieve economic growth coincided with the pursuit of profits by the corporate enterprises. . . . Therefore, the supply of funds for political activities was directly correlated with the prosperity of the enterprises. By comparison, under the fifth republic of President Chun, corporate heads found it more difficult to read the government's mood. . . . Nevertheless, it was a period during which we experienced very little trouble, as long as we satisfied the wishes of the regime. However, under the sixth republic, nothing is certain. Now, following the middle phase of the sixth republic, [under Roh Tae-woo, we] have to study [their mood], although the burden of providing funds remains unchanged, and we receive very little benefit in return.[31]

In their attempts to build a hegemonic party, the faction leaders of the Democratic Liberal Party still have some way to go.

THE STATE RESPONSE: POLICY IN THE ROH ERA

After a brief four-year interval in which the current account was in surplus, the South Korean economy returned to deficit in 1990. The deficit for 1991 grew to US$8.8 billion, and with high (9.7 per cent) inflation, signs of a declining savings rate and reduced capital investment, the economic policy managers sought to fashion means to return a measure of austerity to the national household. In so doing they responded not merely to economic signals but to a distinct mood of concern in public opinion. Their task, however, was complicated by the multiple elections of 1992, the sheer size of the Korean economy, and also by their inclination to see the problem less in structural than in moral and nationalistic terms.

In 1990 the government launched a frugality campaign in an endeavour to restore the trade balance. Imported 'luxury' items disappeared from shop windows, and firms specialising in importation found themselves the subject of scrutiny from taxation authorities and trade officials. When this strategy resulted in complaints from the United States, the campaign was quietly abandoned, Seoul undertaking at the 9th Korea–US Economic Consultations to remove any impediments introduced in customs procedures or import distribution as a result of its austerity drive.[32] However, it is clear that the government sought other means to achieve the same objective. In 1991 these took the form of an ostensibly privately organised campaign against conspicuous consumption, which was pursued under the moralistic slogan of 'new life, new order'. Despite being established as a private initiative, this movement also attracted complaints from Washington that it was unfairly directed against imports.

Although excessive importation was frequently blamed for Korea's economic difficulties, a boom in construction activity as well as deeper-seated structural problems were among the root causes. In September 1991 measures were announced for managing international earnings and outlays, and 'slowing down construction and business for domestic consumption, promoting the local manufacture of machinery, and controlling excessive popular spending habits'.[33] Yet these and other measures did not prevent much criticism being voiced of post-1987 political and social trends. Many leading figures, such as Ch'ae Se-hyang, Managing Director of the Korea Traders Association, argued that focusing government priorities on 'democratisation and the social balance' to the neglect of other issues resulted in 'problems of manpower and capital in the manufacturing industry' and also 'a change in worker attitude towards difficult work which now tended to be avoided'.[34] The view is sometimes expressed that the middle class having been in the forefront of the fight for political reform, its prosperity is now

being threatened by the uncontrolled rise in wages which is commonly seen as 'the price of democratisation'. Since 1987, wages for labourers have doubled, and at US$4.16 per hour compare unfavourably with those paid in Taiwan (US$3.98), Singapore (US$3.78), and Hongkong (US$3.20).[35]

While failing to address middle-class fears sufficiently, the government was forced to call the *chaebol* sector to account. The government claimed that part of the reason for Korea's faltering economic performance arose from the tendency for the large business conglomerates to invest in speculative real estate rather than in productive facilities. This generated the further problem of driving up the price of land at a time when there was a severe housing shortage, particularly in the capital.

In 1990 the government requested the *chaebol* to sell all land in their possession not used for purposes related to their business. In the meantime it was made more difficult for the conglomerates to acquire more land, or to earn income from land.[36] It emerged that at a time of acute land and housing shortage, forty-eight business groups held 240.4 square kilometres of real estate categorised as non-business. In 1992, with about half of this land still held, the government announced that it would be acquired by a state-run corporation, with the owners receiving compensation in the form of bonds. Meanwhile, however, the Korean Economic Federation (Chonkyong-nyon) complained that such controls upon real estate acquisition violated basic rights.[37] The slowness with which the conglomerates responded to government direction was a contrast with the situation which prevailed before 1987. For their part, the *chaebol* put pressure on the government, and particularly (then) Deputy Prime Minister Ch'oe Kak-gyu, to address their needs in the seventh economic plan, which covered the period to 1996.[38]

In addition to exercising controls, the state began to take the initiative in addressing new problems related to quality of living which have begun to be of popular concern, especially to the middle class. Environmental problems, and particularly those concerned with the safe supply of food and water, have demanded more of the government's resources and time in the sixth republic. To take the example of drinking water, two incidents in 1991 in which a major drinks manufacturer released toxins into the Naktong River, the source of water supplied to the city of Pusan and the Kimhae plain, led to the publicising of many complaints over the provision of this essential commodity. According to a survey conducted in 1991, 92.2 per cent of respondents in Seoul expressed the view that drinking water from the tap made them feel uncomfortable, and only 6.6 per cent felt that it was safe.[39] As a consequence, more exclusive apartment complexes have been installing plants that extract ground-water for household consumption. In

responding to these concerns the government, while spending increased sums on environmental works, also banned the sale (except to foreigners) of bottled drinking water, perhaps in order to prevent a loss of popular confidence in the water supply. But the government has as yet shown only a limited ability to deal constructively with the citizens groups and other manifestations of civil society that have emerged since 1987.

KIM YOUNG-SAM AND THE NEW KOREAN POLITICAL STYLE

When Kim Young-sam assumed the presidency of South Korea on 25 February 1993, he pledged to follow policies designed to create a 'new Korea'. In his inaugural address he stressed the need to eliminate official corruption, reinvigorate the flagging economy and restore a sense of national discipline. In a self-conscious gesture by which Kim wished to signal a break with the past, the president announced that he would not play golf during his tenure of office, and urged his senior officials and party members to follow his example and live a more frugal life dedicated to service. In response, civil servants and politicians deserted the fairways, and luxury restaurants and resorts complained of a significant lessening of patronage. Whatever other continuities persisted, Korea ceased to be the golf republic.

Kim vowed to reverse the trend towards the monetisation of politics. He pledged that he would not accept funds from business while in office, and also inveighed against the common practice of accepting favours in exchange for cash or other benefits. A new relationship began to emerge between the political leadership and the *chaebol* sector, in which matters of policy rather than political funding became the more significant.[40] In pursuit of cleaner politics, Kim then required all Cabinet members and members of the ruling Democratic Liberal Party in the National Assembly publicly, along with senior bureaucrats, to declare their personal assets. In a political system in which influence and office buying were fast becoming institutionalised, this was a bold but also a potentially risky strategy.

It then became a matter of public record that many senior political figures were wealthy men, particularly through the ownership of real estate, a delicate matter in Korea given the shortage of land and the many housing and property scandals that had come to light during the Roh Administration. Following these disclosures, the ruling party found it necessary to effect a purge of senior members. Eleven Assembly members, including the Speaker, were urged to give up their seats or leave the party. This purge also affected officialdom, with almost 1,000 bureaucrats demoted or dismissed.

Though a move to counter corruption, this development was also part of a political strategy. When in 1990 Kim Young-sam brought his political movement into coalition with the then ruling party, he was forced to share power with the political machine of former President Chun Doo-hwan and President Roh Tae-woo, a political machine dominated by former military figures most of whom were from the common hometown of Chun and Roh. While Kim acknowledged Roh's contribution to the process of democratisation, his alliance with Roh's machine was chiefly one of convenience. This can be seen from the fact that of the eleven senior politicians censured by the party, only one was not a member of Roh's faction. This is not to say that Kim Young-sam's supporters altogether escaped the effects of the new climate in Korean politics. Two of Kim's original Cabinet, his appointee as Mayor of Seoul, and his party secretary-general were all forced to resign as a result of misdemeanours (real estate speculation, and gaining back-door admission to university for their children) which in the past would not have been publicised.

A further consequence of Kim's measures was that many politicians and officials who had speculated in land now scrambled to sell their assets. Land prices plummeted as a result, thus addressing, at least in the short term, one of the major sources of public complaint in the Roh era.

Having purged those around him, Kim then initiated a series of inter-party negotiations aimed at producing a new and cleaner electoral procedure. In March 1994 a comprehensive electoral law was adopted by the National Assembly. Under the law, the amount of money that candidates may spend is restricted and limited to funds channelled through registered bank accounts, and candidates may lose their seats or be disqualified for public office for a considerable period if the law is transgressed.[41] Although such laws have been on the statute books in the past, this is the first time that a framework has existed with effective mechanisms to superintend the electoral process. It should also be seen in the context of another of Kim Young-sam's reforms. The 'real-name' financial system introduced in 1993 prohibits the use of bank accounts and the transaction of bank business using an assumed name. While this has been designed to control the financial market and eliminate tax evasion, it will also make violation of the electoral law extremely difficult.[42]

Without waiting for the new political laws to come into effect, the state moved to discipline Chung Ju-yung. While in a sense a victim of the old politics, having entered the political arena Chung was less reserved than any other in exploiting its possibilities. During the presidential campaign of 1992 it was sometimes difficult to distinguish Chung's party from his industrial group, with party rallies resembling employees' gatherings, and

Hyundai personnel prominent in the party machine and executive. Following the presidential elections, Chung Ju-yung was prosecuted upon charges that he had contravened the electoral law by using 43 billion won (US$50 million) of Hyundai company funds to finance his candidacy. Although eventually acquitted of these charges, he was found guilty on a charge of embezzlement, and was sentenced to a four-year probationary term.

In policy matters, the Kim Young-sam Administration faced a dilemma that has yet to be resolved. On the one hand, Kim was generally committed to financial deregulation and the termination of many state controls. The realisation of these aims would leave Korean consumers more in a position to follow their own inclinations, whether in matters of consumption or of lifestyle. Kim's commitment to frugality, exemplified in his abandonment of golf, to be effective seemed to require stronger government intervention. The state has been more and more in the position of taking a stern line against extravagance, while undermining what policy instruments remain that could be used to restrain it.

CONCLUSIONS

The perils of affluence have arisen in a Korean society that is increasingly complex. Rapid economic and social change has eroded old social structures while altering expectations, particularly on the part of the new middle class. At the same time, democratic transition has removed many of the features that characterised that 'strong' or 'autonomous' state which has existed in the Republic of Korea almost from its inception. As the state grapples with the need to develop new means of control and influence, factional realignment and generational change in the political parties have rendered it difficult to follow any consistent strategy. At present the Korean state confronts a dilemma that derives ultimately from ambiguities in the grounding of its legitimacy. On the one hand the state stands as the inheritor of a Confucian and thus moralistic idea of governance, while on the other it is seeking to move to a less regulatory policy environment in which consumers and citizens will have greater freedom to follow their own inclinations.

Korean society can therefore be seen as, in many respects, still emerging from its authoritarian and Confucian inheritance in politics and culture. The old values frequently clash with contemporary aspirations for democracy and an open economy, resulting in the paradox that, while spokesmen for the 'new middle class' frequently argue for democratic reforms and insist upon some measures of political and economic equality, their own values and behaviour often remain rooted in notions of hierarchy and the

privileges that come from personal connections. Furthermore, the rise of consumerism in Korea is clear evidence of the deep impact of elements of a specifically modern consciousness. The needs of the Korean middle class in both soul and body are therefore ambiguous and contradictory. The Korean middle class attempts to acquire elements of both the ways of the old Confucian elite (for example, the status that comes from formal learning) and the lifestyle of the most affluent of the new social strata. For this reason, some Korean critics maintain that a way of life and aspirations unique to the middle class have yet to develop.[43]

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Taiwan

GENERAL

Land area	35,990 sq. km
Population (1993)	20.9 million people
Nominal GDP (1992)	US$215,959 million
share of agriculture	3.5%
share of industry	40.6%
share of manufacturing	31.6%
share of services	55.9%
Average annual GDP growth rate (1985–1993)	8.1%
GDP per capita (1992)	US$10,333
Per capita GNP	US$10,566
Monetisation level (broad money [M2] as % of GDP)	175.7%
Average annual growth rate of M2	21.0%
Central government budget surplus or deficit as % of GNP	+ 2.7%
Current account surplus or deficit (after official transfers; 1992)	+ US$6,401 million
Merchandise trade surplus or deficit (1992)	+ US$4,355 million
Gross domestic savings as % of GDP	24%
Gross domestic investment as % of GDP	28%
Tax revenue as % of GNP (1991)	18.5%
Total external debt	–
Percentage of population of working age (15–64)	–
Number of students in higher and university education (1986)	0.4 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted)	US$9,830
Ratio of population with the highest 20% income or expenditure share to the lowest 20%	–
Percentage of urban population	–
Total employment (1993)	8.7 million
of which professional, technical workers (1987)	3.6%

of which administrative, managerial workers (1987)	0.8%
of which clerical, sales, services workers (1987)	36.3%
of which agriculture, production, transport workers and equipment operators (1987)	59.3%
Gross tertiary enrolment ratio (1991)*	31.2
Life expectancy at birth (1992)	74 years
Population with access to piped water (1991)	84.1%
Total consumer expenditure (1992)†	US$114,001 million
share of food, drink and tobacco	24.3%
share of clothing and footwear	4.6%
share of housing and fuels	16.4%
share of household goods and services	4.5%
share of health	5.3%
share of leisure and education	13.2%
Per capita energy use (oil equivalent; 1992)	1,717 kg
People per telephone (1988)	2.8
People per TV (1990)	20.5
People per doctor (1988)	966.5
Per capita consumption of beef (1991)	5.0 kg
Per capita consumption of poultry	–
Per capita consumption of fish (1991)	58.0 kg
Per capita consumption of soft drinks (1992)	62.2 litres
Book titles published (1990)	10,255

Notes:
* The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
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9 Taiwan

A fragmented 'middle' class in the making

J. J. Chu

The focus of this chapter is on a specific category of wealthy individuals who have recently emerged in the course of industrialisation in Taiwan: the new rich. As the term 'new rich' suggests, two criteria are critical: the first is the characteristic of being 'new', and the second is the trait of being 'rich'. 'New' and 'rich' are two concepts that cannot be understood in separation. They have to be put back into the context from which the affluence of Taiwan is derived. In other words, conceptually as well as empirically, these two basic demarcating criteria – new and rich – are inseparably related to the context of capitalist expansion that has involved Taiwan. The identification of 'new' elements in the hierarchy of the social stratification requires the existence of an old structure of social classes to provide a comparative basis. In the case of Taiwan, the transition from an agricultural society to an industrial one, mainly caused by the adoption of a market-oriented developmental strategy, is presumed to explain the presence of the varied new rich individuals in the late 1980s.

In 1962, Taiwan's per capita GNP was only US$162. By 1992, its GNP reached US$211 billion and the per capita GNP US$10,215, along with foreign exchange reserves amounting to US$82.5 billion (the largest in the world in that year). Over these thirty years, structural changes were progressively transforming Taiwan into a consumption-oriented affluent society. Taiwan witnessed a surge of mass conspicuous consumption in the late 1980s in which the existence of the new rich became visible.

However, the new rich cannot be regarded as a single homogeneous group. The composition of the new rich prevalent in post-1980 Taiwanese society is characterised by fragmentation and heterogeneity. While large in number, the new rich comprise individuals from different social classes and status groups. These different segments of the new rich emerged at different stages of the industrialisation process and thus they are susceptible to different sets of social values.

In general, the new rich of post-1980 Taiwanese society are a 'conglomerate' composed of many different social actors, whose increased earnings are tightly related to the consolidation of a market economy that has been based on export integration into the capitalist world system. Thirty years of rapid social and economic development has bred a sizeable aggregate of wealthy individuals, who constitute the backbone of the post-1980 Taiwanese social stratification system. There are at least three groups of the new rich: the new middle-class group, rich in intellectual and electoral power; the affluent workers interested in year-end bonus bargaining; and the lower white-collar employees rich in consumption power.

In terms of the occupational components, the new middle class is made up of the professionals and the owners of small and medium-sized businesses. They were the main initiators for the opposition movement and the key catalysts for the great 1987 political liberalisation. With the application of labour-intensive technology under the export-led industrialisation policy, numerous affluent workers who experienced an improved standard of living with overtime pay were spawned. Apart from the times that they were mobilised to strike for an increase in year-end bonuses and other fringe benefits, the affluent workers are generally individualistic and not union-bound. Added to this, since the late 1980s, the rapid expansion of the service sector also brought a new social segment to the big new rich family: the lower administrative and managerial employees. An enthusiasm for status consumption and self-development qualifies this group of individuals as a distinct segment of the post-1980 new rich conglomerate.

After disaggregating the post-1980 new rich conglomerate, the sections below describe the social values and political attitudes of each component group of the new rich and illustrate the tensions between them.

THE OLD MIDDLE CLASS: THE MILITARY, CIVIL SERVANTS AND SCHOOL TEACHERS

The old middle class in post-1949 Taiwanese society was composed of the Jun-Gong-Jiao group, that is, the military (Jun), employees in the public sector (Gong) and school teachers (Jiao). After being defeated by the Chinese Communist Party (CCP) on the Chinese mainland, the KMT (the nationalist party, the Kuomintang) retreated to Taiwan and initiated a series of nation-building measures to establish legitimacy, which resultantly resulted in the growth and expansion of the Jun-Gong-Jiao group.

The mainland immigrants of the KMT did not own private land in Taiwan, but held most of the key positions in the state apparatus, from the military to the education system. They had long been taken for granted as

the core constituents of the Jun-Gong-Jiao group. Nevertheless not all the members in the Jun-Gong-Jiao group were mainland immigrants. There was also a sizeable proportion of Taiwanese locals. There is little doubt that at an early stage an absolute majority of the top and upper middle positions at the central level of the state apparatus left by the Japanese colonial regime were filled by the civil servants and military officers accompanying the defeated KMT government to Taiwan. Those Taiwanese islanders who did hold important positions tended to be those who had been born in Taiwan but spent much of their mature life on the mainland.[1] However, after the KMT government, with the intention of securing its rule over this island, twice expanded the state bureaucracy and created many repetitive sectors at central and provincial levels, numerous new opportunities of lower white-collar positions in the state apparatus were created for local Taiwanese.

In the days well before industrialisation set its foot on Taiwan, jobs in government sectors promised not only high social prestige but also job security and a good salary package. Hence government positions at all levels were highly valued and earnestly pursued at a time of low literacy and of adverse economic circumstances in the 1950s. A substantial number of lower government positions were filled by individuals who had only little education.

As the KMT regime has a system of national examinations for the public service similar to the one that selected imperial bureaucrats for ancient China, an administrative culture that bears most resemblance to the bureaucratic system of imperial China was also generated in the KMT government administration: in favour of submission to seniority as opposed to individual initiatives. Even worse, with a standard salary package, reasonable social reputation, plenty of fringe benefits, a track for promotion and the life-long employment guarantee, many government employees gradually become susceptible to officialism. This phenomenon was worsened when Taiwan was under predominantly one-party rule. Nevertheless, after the lifting of martial law in 1987, civil servants had to adjust to their new roles in a liberalised political environment, especially in the face of elected public representatives.

In 1986, when the major opposition party, the Democratic Progressive Party (DPP), was formed, studies conducted to discover the partisan preference of Taiwan's voters uncovered that the old 'middle class' still remained loyal supporters of the KMT regime.[2] Five years later, the taken-for-granted loyalty of public servants to the ruling KMT seems to have changed. In the elections of the early 1990s, an increasing number of the lower white-collar employees in the public sector refused to vote for the

candidates nominated by the KMT, but earnestly raised funds for independent ex-KMT contestants who campaigned for welfare policies.

The decline of the loyalty of the government employees to the ruling KMT can be explained by several factors. First, the steady improvement in the average education level of public servants, along with the passage of time and the progress of industrialisation, should not be overlooked. In retrospect, no more than 30 per cent of civil servants had a university degree when the Central Personnel Administration (CPA) was set up in 1967. Eight years later, when the Ten Major Projects were launched in 1975, the proportion of government employees with university degrees had increased to 45 per cent. By the end of 1990 no less than 70 per cent of Taiwan's 536,000 civil servants had a university or college education.[3] This amounts to 17 per cent of Taiwan's workforce as a whole. Apart from this, another factor relates to the juvenescence of government employees. In the past five years almost all government employees recruited during the early post-1949 period have retired. According to the CPA, for the past fifteen years the average age of civil servants has held steady at around 39 or 40.[4]

THE NEW MIDDLE CLASS: OWNERS OF SMALL/MEDIUM BUSINESSES AND THE PROFESSIONALS

The owners of small and medium-sized businesses, as well as the intellectuals and professionals, can be regarded as the two key constituents of Taiwan's new middle class. This new middle class began to emerge in the 1970s and gradually came to consolidate itself in the 1980s. A majority of the members of this group were predominantly individuals from the newly urbanised townships and had a Taiwanese family background. The political strength of this group of individuals first appeared as an opposition force in the late 1970s.

The formation of the first powerful opposition party, the DPP, in 1986 in favour of a Taiwanese consciousness that ushered in a time in which the power of Taiwanese locals overrides that of Chinese mainlanders marked a watershed in post-1949 Taiwanese political history. This development may well be regarded as a generational change, since the mainland immigrants had become old enough to be surpassed by younger post-1949 Taiwan-born generations. However, prior to the 1970s, one may be reminded of the widely circulated aphorism that characterised the division between mainland immigrants and Taiwanese locals: 'Taiwanese, your niche is in the economy since politics is under the mainlanders' siege.'

In retrospect, it is clear that the success of the land reform policy in the 1950s and the subsequent export-oriented industrialisation gave birth to the

new middle-class social stratum. The implementation of land reform policy altogether affected about 326,049 agricultural households: about 106,049 landlords whose private land was purchased by the government and around 220,000 families who successfully acquired their own land through the implementation of the 'sale of public lands' and the 'land to the tiller' programme. Many studies, conducted in the 1960s to investigate the consequences of the land reform policy, discovered that 48 per cent of original landlords and 75 per cent of original tillers became more enthusiastic about political affairs after land reform.[5] About 7 per cent of original tenants and 24 per cent of the original owners earnestly campaigned in local political elections.[6] Meanwhile, the percentage of the sons of the landlord group who received education equivalent to college degree or above rose from 4.9 per cent in 1953 to 31.5 per cent in 1978.[7]

For fear that its regime would be challenged by forces organised by individuals drawn from Taiwanese family backgrounds, the KMT government kept national-level elections under tight control. Nevertheless, in order to maintain its image as a democratic regime, numerous elections were still held regularly at local levels, thus opening the door for political dissidents to accumulate their political capital. In these elections held in the metropolitan areas, especially in Taipei, Keelung, Taichung, Tainan and Kaohsiung, the KMT candidates usually met with severe challenges from independent contenders who did not want to run their campaigns under KMT patronage.

As for the social origin of the political dissidents, a considerable number of them were young and brought up in Taiwanese families in the 1940s, were successful in professions or one or two businesses and had above-average earnings. In other words, the leadership of the opposition movement came from two fronts: the business and professional communities. On the one hand, the individuals from different parts of the intellectual and professional communities organised and led the opposition movement. On the other hand, the owners of small and medium-sized businesses were the behind-the-scenes sponsors of the movement. Through varied social ties such as family, schoolmates, neighbours or workplace affiliates, the intellectuals and professionals and the owners of small and medium-sized businesses were brought together.

The post-1970 opposition movement activists were different from an earlier generation who had attempted unsuccessfully to push democratic ideas in the 1950s.[8] The earlier opposition was led solely by well-known mainland scholars in the universities under the banner of intellectual liberalism. It was crushed by the then KMT government when these liberal intellectuals attempted to ally with local Taiwanese to form a political party

in 1960. In contrast, many post-1970 political dissidents were post-1949 Taiwan-born, American-trained intellectuals. Their hard-earned academic achievements quickly won them high positions in the academic and business world as they returned to Taiwan. However, their liberal criticism of domestic affairs and government policies was often met with distrust and antagonism and their attempts to organise political parties met with clampdowns from the then conservative KMT government. The 1977 Chungli incident and the 1979 Kaohsiung incident were two well-known costly blunders of political dissidents before they successfully formed the first and largest opposition DPP party in Taiwan.

This intellectual and professional group of individuals does not share a similar market position, neither do they have similar earnings, not to mention the varied sources from which they derive their earnings. What they have in common is their perception of 'knowledge' and their capability of using knowledge to accumulate social and political wealth. However, no track for conformity in political orientations can be found among the members of this intellectual and professional subgroup of the new middle class. In principle, three factions can be distinguished. The radical elements of this group usually ally with the opposition party to confront the government on ideologically related issues such as Taiwanese independence – the best-known – or reunification with China. The reformists who seek progressive reform are recruited into the state apparatus through various KMT party machines. Between these two factions stand those who prefer a non-aligned stance towards the government and the opposition and form the third faction. They enjoy the trust of the general public in their professional knowledge and expertise to inspect and comment on the debates between the government and the opposition over national policies. In the midst of the confrontations and negotiations between these segments of the new middle class, the significant changes in Taiwan's politics since 1990 included the collective retirement of the senior mainland-elected members in the parliament in 1991, the removal of the Garrison Command from the state apparatus in August 1992, and most importantly on 19 December 1992 the decision that all the representatives in the Legislature were to be elected in territories under the jurisdiction of the KMT government in Taiwan.

Besides this, there is one more thing in common between these two subgroups of the new middle class. That is, members of both groups are the loyal adherents of traditional Chinese familism. In contrast to the 1990s self-centred and consumption-oriented new rich, the members of the new middle class earnestly strive to practise family-related duties in a reciprocal manner.

Traditionally Chinese people valued family ethics and respected the reciprocal duties between family members. Over the past three decades of Taiwan's economic development, the family has served as a strong social institution for industrialisation. In an economic boom, the surplus labour force within the family is absorbed either by the expansion of the family business or by employment outside the family while remitting their earnings back home. In addition to employment provision and capital accumulation, the Chinese family system also fulfils some welfare functions. It was designed to provide social and economic support for the old. Moreover, the family works to reabsorb members who are temporarily unemployed and provide for their subsistence in economic downturns. Thus, a fully geared Chinese familism can account for the weakness of a full-scale state-run welfare programme.

The mechanism that lubricates the economic functions of Chinese familism is the savings ethic. A lump sum of savings can not only afford a better education for one's children but also provide reasonable sub- sistence in bad times. In previous times, keeping substantial savings could sustain parents' authority and also earn them respect when they cannot help but rely on their married children for their livelihood. With this practice, Taiwan became a nation of numerous spontaneous family businesses and high savings.

Although these two subgroups of the new middle class are loyal adherents to Chinese familism, their adherence may reflect completely different backgrounds. To the intellectuals and professionals, gratitude may underlie their appreciation of Chinese familism and their willingness to preserve it. All the resources that they needed to pursue higher education and professional skills were supplied by the savings of their parents. This explains their commitment to look after their parents in old age and to sponsor relations with the same aspirations.

Chinese familism has its stronghold in Taiwan's circle of numerous small and medium-sized businesses. The dominance of more than 98 per cent of Taiwan's industry by small and medium-sized family firms is the best illustration of the performance of entrepreneurial functions by the Chinese family system. For the owners of small and medium-sized businesses, dependence on family capital and surplus labour may explain their adherence to Chinese familism. A considerable number of the owners of small and medium-sized businesses in Taiwan could grow in strength because their parents and relatives provided their business with financial assistance and their siblings helped to supply low-priced, sometimes even free, labour.

THE LOWER WHITE-COLLAR EMPLOYEES: RICH IN CONSUMPTION POWER

The new rich emerging in the late 1980s and getting consolidated in the 1990s are those 'wealthy' individuals that have been accustomed to the lavish lifestyle that predominated in the late 1980s. It is not a six-digit salary package that makes them stand out against the other occupational groups as the paragon of the new rich of the 1990s, but their inclination towards 'status' consumption and 'self' development. The class components of the 1990s new rich are not business magnates or highly salaried professionals, but the young lower managerial and administrative employees, that is, the lower middle-class white-collar workers.[9]

The emergence of this segment of the post-1980 new rich is closely connected with the growth of the services industries that took place at the same time as the appreciation of the New Taiwan dollar and the prevalence of speculative activities in the 1980s. No study so far has specified how large the population of this new rich group is. However, if taken together as a pointer, the labour force in business and personal services with a monthly salary between NT$20,000 and NT$40,000 might be around 765,000 in number and have an average monthly net income of NT$28,552.

The things for which they strive are rather conventional: an imported car, clothes made by famous European designers, regular trips overseas and, if possible, a house of their own. Two structural factors contribute to the formation of this mentality. First, the speedy upswing in real estate prices discouraged the conventional notion of saving for home purchase.

The prices in housing soared in the early 1980s and tripled between 1987 and 1989. When the dream of having a home of one's own seems to have become too difficult to fulfil, buying an imported car and foreign travel rose to become reasonable substitutes. The second one has to do with the flood of opportunities for wealth accumulation in the 1980s, which soon bred a 'get rich quick' mentality in society. The desire to have a European-made car and European-designed clothes reflects a specific cultural and psychological preference for European, as against Japanese, taste. This conspicuous consumption, moving away from Japanese to European imports, has been picked up by the new rich as a hallmark of upward mobility. Their aim for middle-class social status has become part of the life goal.

From December 1991 to April 1992, the government policy of liberalising the banking sector gave birth to fifteen new private banks. As soon as these newly established banks embarked on their first attempt to capture business, the fervent aspirations to 'status consumption' of the lower administrative and managerial employees were targeted. A series of

promotions of loans for personal consumption were launched and targeted at the 1990s young lower white-collar employees. Marriage loans, home loans, car loans and travel loans were the most well-known examples. Some small loans did not even require a personal guarantor. These promotion projects for personal consumption loans engendered a considerable response. It was reported that more than NT$70 billion in loans were issued by these new banks, within five months of opening.[10]

Concomitantly, the change in the financial and banking habits of these lower white-collar employees also contributed to the success of the promotion projects for personal consumption loans. For example, a sizeable number of newly married white-collar couples did not hesitate to apply for a three-year wedding loan at nearly 10 per cent interest rate, even though this might lock them into a monthly payment of roughly about NT$10,000. Some even accept a monthly NT$17,000 payment for a car loan. Simultaneously, the emergence and growth of a consumption-oriented lifestyle may have weakened the traditional practice of saving. In the five years from 1987 to 1991, the national savings rate fell by a total of 8.5 per cent. In 1991 the national savings rate was even below 30 per cent, about 29.88 per cent.

The change in consumption and banking habits leads some local observers to call this group of Taiwan's new rich a generation of hedonists. Nevertheless, it would be misleading to argue that diligence and hard work have stopped being a predominant characteristic in this section of the working population. In fact, no evidence has yet shown that the 1990s lower white-collar workers work less hard than previous generations. The prime difference that distinguishes them from their predecessors is that their aim is not so much to accumulate wealth for investing in business but to purchase goods associated with Western middle-class lifestyles.

As stated above, the desire for status consumption has led the national savings rate to decline. If this trend continues, the contribution that the members of the 1990s lower administrative and managerial class are able to make to family-based wealth accumulation will be rather limited and they may become the primary facilitators and devoted advocates of increasing the amount and expanding the coverage of government welfare policies.

Apart from the decline in savings and the rise of status consumption, the concern for self-development, the other characteristic of the 1990s lower white-collar class, that is their enthusiasm for self-improvement, is unprecedented and also exerts a significant social impact. From the mid 1980s, the demand for books on individual development and techniques of self-realisation has been steadily on the rise. So has the demand for travel books. Other new trends are popping up too. Expenditure of NT$100,000 every year on overseas travelling is becoming fashionable among young

female white-collar employees. Hesitation to change jobs is also losing its grip on young employees as soon as the prospect for promotion and the terms of employment turn unsatisfactory.

Several signs have shown that the enthusiasm for self-development and status consumption is developing into a rejection of certain family responsibilities. An official survey of 1,400 young people revealed that only 8.5 per cent felt that marriage was an indispensable duty to continue the family line, and, once entered into, a lasting commitment. They also held a liberal attitude towards divorce. More than 50 per cent of young managerial and administrative employees were prepared to terminate an unhappy marriage.[11]

This self-focused orientation of the 1990s lower white-collar class is reflected in their distinctive political attitude. On the one hand, the lower administrative and managerial employees endorse an 'island-China' international identity.[12] Their support of an island-China identity has significant influence on Taiwan's politics. First of all, it works as a cushion mitigating the tension between the old Chinese-oriented loyalists and the new Taiwan-oriented campaigners. Second, their aspiration to realise this new identity gives the government an impeccable reason to pursue a sovereignty that not only frees it from interference from the Chinese mainland but also gives it the autonomy to develop diplomatic relations in the international community based on its own interests rather than as a faction under the control of the mainland.

Moreover, the lower white-collar class wants to renew the old pattern of interaction between political parties and its electorate. That is, it is not prepared to *supply* unrestricted loyalty, as the old government employees usually were to the KMT, to any political party unless the elected parliamentarian members of that party strive to deliver welfare goods. This political orientation was manifest in the landslide victory of many DPP and ex-KMT independent candidates who creatively campaigned for welfare policies and the appalling defeat of those who aggressively pushed such ideological issues as unification with China or Taiwanese independence.

So, as long as the 1990s young lower managerial and administrative employees have the opportunity to transform themselves politically into a class-in-itself, the day cannot be far away when there will be an end to cold-war style ideological confrontation between China-born mainlanders and Taiwan-born islanders in Taiwan's post-1987 democratisation history.

TAIWAN'S NEW RICH OF THE 1980S: THE AFFLUENT WORKERS

To consider the working class a segment of the post-1980 new rich conglomerate sounds ridiculous. Nevertheless, if one takes a close look at the

main concerns of the Taiwanese workers who fought hard for year-end bonuses and other fringe benefits in many post-1980 industrial disputes, it would be too cautious not to include them in the list of the new rich in post-1980 Taiwanese society. Having said that, no attempt is sought to imply the cohesiveness of the Taiwanese working class.

Although Taiwanese workers as a whole are one of the main beneficiaries of the export-oriented industrialisation policy, workers in some sectors are likely to become confrontational once the long-term prospect of the industries that they work for is threatened. Several industrial disputes that took place in the textile industry in the late 1980s have confirmed this general prediction.[13] As the official statistics indicated (Council of Labour Affairs, 1989) nearly 22 per cent of labour disputes in the textile sector had to do with retirement pay, as compared with 10 per cent in the plastics sector and 8 per cent in electronics. This may be an indirect indication of the ageing and long-term employment of the labour force in the textile industry.

Between 1961 and 1991, two peaks of industrial frictions between labour and capital can be identified.[14] The first peak took place in the first half of the 1970s, spanning 1973 to 1976. The second one arose in the late 1980s. Labour disputes in the early 1970s were mainly related to dismissal. About 32 per cent of labour disputes broke out because of dismissal problems and, together with those over wrongful severance, nearly 50 per cent of labour disputes resulted from the problems of employment. In contrast to their early 1970s counterparts, the percentage of labour disputes over dismissal sharply decreased from 50 to 25 per cent in the late 1980s, whereas the disputes involving demands for more allowances rose by nearly 400 per cent over the early 1970s figures (see Table 9.1). That is to say, nearly 40 per cent of workers became involved in disputes calling for overtime wages, more generous pensions or severance pay and more bonuses in the late 1980s. In this respect, the workers involved in the late 1980s labour disputes, compared with their early 1970s counterparts, are relatively better off.

There is another piece of evidence concerning the issues in major labour disputes between 1985 and 1988 that illustrates the affluent nature of post-1980 Taiwanese workers (see Table 9.2).[15] Lin indicated that over 25 per cent of disputes had to do with complaints over demands for the payment of wages that had fallen into arrears. Nearly 22 per cent of disputes were over pensions and severance pay. Added to this, the 1989 official statistics provided by the Council of Labour Affairs conveyed a similar message: the number of workers involved in disputes over welfare terms greatly outnumbered those involved in other disputes.

Table 9.1 First cause of labour disputes by percentage: a comparison between 1973–1976 and 1985–1988

Year	*Dismissals*	*Year*	*Claim for allowance*
1973	30	1985	40
1974	37	1986	40
1975	33	1987	48
1976	24	1988	33

Source: The Department of Statistics, Council of Labour Affairs, Executive Yuan, Taipei, Taiwan, 1989.

Table 9.2 Causes of major labour disputes reported by the press: 1985–1988

Cause	*Cases*	*Percentage*
Year-end bonuses	46	25.6
Salary	44	24.4
Severance	39	27.1
Arrears of wages	29	16.1
Pensions	13	7.2
Labour conditions	10	5.6
Dismissal	9	5.0
Insurance	1	0.6
Injury compensation	0	0.0
Others	33	18.3

Source: Lin Chung-cheng, 'The Development of the Labour Movement and Labour Disputes in Taiwan', paper presented at the conference on Labour and Economic Development, Taipei, 1988

The overwhelming demand for more year-end bonuses and allowances gave a remarkable characterisation to the post-1980 Taiwanese industrial conflict. It came from the need of the union activists to alter the politically apathetic attitude of the Taiwanese working class. After the lifting of martial law in 1987, a labour movement in pursuit of independent unionism arose in Taiwan. By demanding more year-end bonuses, retirement or

severance payments and overdue wages, the post-1980 union activists hoped to win the support of their rank and file.

The convention that employers are obliged to give merit and year-end bonuses used to form the core of corporate paternalism. Employers gave merit bonuses in accordance with individual workers' good behaviour and work attendance and gave year-end bonuses according to their profit and generosity. This unwritten convention did not become legally binding until the Labour Standard Law (LSL) was introduced in 1984. Ever since, employers have been put into the position of being legally obliged to pay year-end and merit bonuses. If employers failed to do this, collective action against them could be taken by union activists, as they interpreted the law to have granted them the legal right to conduct year-end bonus negotiations.

However, the preponderant concern of workers with disputes over year-end bonuses seems to say that subsistence had already ceased to be a problem – most workers managed to live well with pay overdue. In the context of a politicised social environment, this post-1980 trend of a predominant concern with higher overtime wages and more bonuses while little attention was paid to dismissal-related issues, not to mention union-related ones, is a clear indication of the instrumentalist outlook of Taiwanese workers.

As workers in Taiwan are not the victims of pauperisation of the kind that might arise in a primitive capitalist system, it is no easy job to encourage antagonism against the capitalist system from the Taiwanese working class. As many post-1980 labour–capital confrontations indicated, Taiwanese workers could be easily mobilised to fight for concrete and visible benefits but showed little interest in abstract ideologies or political ideas. They were pretty reluctant to lose wages for a prolonged strike, and were not willing to be involved in a strike that would bring them no advantages.

The Taiwanese working class has long been characterised as politically indifferent and apathetic. In the highly politicised social setting of post-1980 Taiwanese society, many workplace confrontations give evidence of this view. This inclination might have resulted from protracted political contraction since the KMT government's retreat to Taiwan. The cultural legacy of Confucianism might offer another explanation. However, it might also have something to do with the aspiration of being one's own boss, reflecting the earnest belief of Taiwanese workers that hard work will eventually turn them into the bourgeois class. That may explain why Taiwan's industrial structure has invariably been dominated by small and medium-sized firms. Meanwhile, the interest of Taiwanese workers in unionism, namely to advance their interests and protect their rights through

the medium of their own unions, has also proved materialistically oriented and short-lived. The poor reception by Taiwanese workers of unionism has pushed the development of the newly emerged post-1980 independent unionism towards sectionalism, in which the effort given to advance the interests of workers in large industries outweighed those of a whole class.

CONCLUSION

This chapter has investigated the different segments of the new rich conglomerate in 1990s Taiwanese society and also illustrated the variations in social values and political orientations between them. Before the task is completed, some effort is needed to elaborate the connection between the new-rich conglomerate and middle-class strata. A number of recent studies have attributed the surge of economic liberalisation and political democratisation in the late 1980s to the growth of a middle-class stratum in Taiwanese society.[16] In my opinion, this argument not only oversimplifies the complex repercussions that Taiwan's more than thirty years' export-led economic development has exerted on its class system, but also overlooks the effects of Taiwan's highly fluid stratification system and the influence that widespread upward social mobility has exercised on the development of its political system.

It would be misleading to claim the unanticipated affluence created by appreciation of the New Taiwan dollar between 1985 and 1986 to be the main structural factor that led many materially better-off individuals and households to consider themselves members of the middle class. In fact, as early as in the early 1980s, there were more than 50 per cent of Taiwan's households that regarded their social position as middle class.[17] In the perception of the newly emerged wealthy individuals of Taiwan, the middle-class identity does not mean only a class in the middle range of the whole system. Neither is it a concept restrictively associated with the intellectual class. Nor is it an objective category attached to the managerial/professional class in Western countries. In the Taiwanese context, it by and large encapsulates the aspiration of 'from rags to riches'.

The inadequacy of regarding all segments of the new rich as a single and homogeneous class category resides in the fact that these different segments do not share the same package of social and political orientations. Without a commonly shared binding political orientation, it is hard to see the new rich conglomerate becoming a class in itself. Nevertheless, the experience of ascending from hardship to abundance (that is, the experience of feeling better-off materialistically in the course of industrialisation) shared across the spectrum of the new rich conglomerate has its own

harmonisation effect. At least, the emergence of such a diverse new rich conglomerate has avoided the polarisation of class relation in the capitalist economic system and legitimated the export-led market-oriented mode of production.

Even so, this does not guarantee calm relations between the different segments of the new rich conglomerate. It is easy to name foreseeable frictions that might arise between affluent workers and small and medium-sized businesses, for instance the issue of introducing foreign guest workers, or between the small and medium businesses and the public, for instance issues concerning environmental conservation. Beyond doubt, the prospect for the various new rich segments in post-1980 Taiwanese society to reproduce themselves institutionally and ideologically to a large extent hinges upon the recent effort in restructuring Taiwan's economy. As long as the restructuring project is kept on track, the forces that would potentially divide the already fragmented new rich conglomerate can be checked and subdued. In this way any radicalism can be avoided.

NOTES

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3 See Elaine Chan, 'Facelift for a Venerable Career: ROC's Changing Service', *Sinorama*, February 1993, 86–95.
4 See Shu-fen Hsieh, 'Filling the Iron Rice Bowl', *Sinorama*, February 1991.
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7 Huang Ta-chau, 'The Impact of Land Reform on Rural Landlords', in Teng-hui Lee (ed.) *The Contribution of Land Reform to Rural Society*, Taipei, 1985.
8 See Thomas Gold, *State and Society in the Taiwan Miracle*, New York: M. E. Sharpe, 1986. Also see Stephan Haggard and Tun-jen Cheng, 'State and Foreign Capital in the East Asian NICs' and Charlmers Johnson, 'Political Institutions and Economic Performance: The Government–Business Relationship in Japan, South Korea, and Taiwan', in Frederic C. Deyo (ed.) *The Political Economy of the New Asian Industrialism*, Ithaca and London: Cornell University Press, 1987.

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11 See Winnie Chang, 'If I Like It, Why Not?', *Free China Review*, 43(1), 1993, 42L, and 'Bridging Two Worlds', *Free China Review*, 43(8), 1993, 4–15.
12 See J. J. Chu, 'The Rise of Island-China Separatism', in Gary Klintworth (ed.) *Taiwan in the Asia-Pacific in the 1990s*, Sydney: Allen & Unwin, 1994.
13 See J. J. Chu, 'The Sociology of Labour Radicalism: The Latin American Experiences and the Taiwanese Case', Oxford DPhil thesis, 1992; and 'Political Liberalisation and the Rise of Taiwanese Labour Radicalism', *Journal of Contemporary Asia*, 23(2), 1993, 173–188.
14 See J. J. Chu, 'The Sociology of Labour Radicalism', chs 3 and 4.
15 See Lin Chung-cheng, 'The Development of the Labour Movement and Labour Disputes in Taiwan', paper presented at the conference on Labour and Economic Development, Taipei, 1988.
16 Hsin-huang Hsiao, 'The Middle Classes in Taiwan: Origins, Formation and Significance', in Hsin-huang Hsiao, Wei-yuan Cheng and Hou-sheng Chan (eds) *Taiwan: A Newly Industrialised State*, Taipei: Department of Sociology, National Taiwan University, 1989; and Lo Shiu-hing, 'Taiwan: Business People, Intellectuals and Democratisation', *Pacific Review*, vol. 5, no. 4, 382–389.
17 Wei Yung, 'The Rise of the Middle Class and its Impact in Taiwan', *China Times*, Taipei, 23–25 March 1985.

China

GENERAL

Land area	9,597,700 sq. km
Population (mid 1992)	1,162.2 million people
Nominal GDP (1992)	US$506,075 million
share of agriculture	27%
share of industry	34%
share of manufacturing	–
share of services	38%
Average annual GDP growth rate (1980–1992)	9.1%
GDP per capita (1992)	US$436
GNP per capita (1992)	US$470
Monetisation level (broad money [M2] as % of GDP; 1992)	66.6%
Average annual growth rate of M2 (1980–1992)	25.6%
Central government budget surplus or deficit as % of GNP (1991)	– 0.6%
Current account surplus or deficit (after official transfers; 1992)	+ US$6,401 million
Merchandise trade surplus or deficit (1992)	+ US$11,266 million
Gross domestic savings as % of GDP	–
Gross domestic investment as % of GDP	–
Tax revenue as % of GNP (1991)	16%
Total external debt (1992)	US$69,321 million
Percentage of population of working age (15–64; 1992)	61.6%
Number of students in higher and university education (1992)	2.2 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US$2,946

Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1990)*	6.5
Percentage of urban population (1992)	27%
Total employment (1990)	647.2 million
of which professional, technical workers	5.3 %
of which heads of state agencies, Parties, enterprises, institutions	1.8%
of which clerical, sales, services workers	4.8%
of which agriculture, production, transport workers and equipment operators	88.1%
Gross tertiary enrolment ratio (1990)**	1.7
Life expectancy at birth (1992)	70.5 years
Population with access to safe water (1988–1991)	83%
Total consumer expenditure (1992)†	US$173,648 million
share of food, drink and tobacco	47.3%
share of clothing and footwear	14.6%
share of housing and fuels	6.3%
share of household goods and services	10.2%
share of health	2.6%
share of leisure and education	2.0%
Per capita energy use (oil equivalent; 1992)	600 kg
People per telephone (1990)	90.6
People per TV (1990)	32.9
People per doctor (1990)	1,090.3
Per capita consumption of beef (1991)	1.1 kg
Per capita consumption of poultry (1991)	2.1 kg
Per capita consumption of fish (1991)	3.0 kg
Per capita consumption of soft drinks (1992)	–
Book titles published (1992)	92,148

Notes:
* Data refer to income shares by fractiles of persons, ranked by per capita income.
** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.
† The percentage figures for consumer expenditure are on selected items only.

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10 The People's Republic of China

The party-state, capitalist revolution and new entrepreneurs

David S. G. Goodman

The People's Republic of China (PRC) is the only country or economy under examination in this volume that is or has been a communist party-state, with a ruling communist party – the Chinese Communist Party (CCP) – and a state socialist economy.[1] At first sight this might seem to invalidate comparison with the other countries and economies of East and Southeast Asia where, with the exception of Vietnam and North Korea, the new rich have emerged in a predominantly free-market environment, and where political legitimacy rests primarily in a notion of liberal democracy. It is clearly the case that the transformation of state socialism has some features, politically as well as economically, that it does not share with capitalist development in more free-market societies: the continued but changing role of the party-state is the most obvious and probably the most important.

None the less, it is also the case that the PRC is undergoing a capitalist revolution of some sort even if the end result may not be a capitalist system. Rapid industrialisation and economic growth, often utilising explicitly capitalist techniques, are dramatically changing the nature of China's economy, although the longer-term social and political consequences remain uncertain.[2] In the short term it is already clear that the reform era which started in the late 1970s has seen the emergence of new social categories of wealth.

China's modernisation since 1978 has in any case been explicitly modelled on the rise of the East Asian newly industrialising economies (NIEs) since the 1960s. At the end of the 1970s and the *Sturm und Drang* of the Cultural Revolution the CCP realised how poorly the PRC's economic performance compared with that of Hong Kong and Taiwan, both of which the PRC claims, as well as Singapore and South Korea. It determined that the PRC, despite obvious differences in size, could emulate the East Asian NIEs, adopt their techniques (particularly export-oriented production) and even encourage their investment. One result is that since 1978

the PRC has become increasingly economically integrated with capitalist East Asia.[3]

The comparison of similarities and differences between China's new rich and those elsewhere in East and Southeast Asia is an important part of the analysis of modernisation, not least in order to assess the extent to which there may be alternatives to capitalism. In the 1990s and the aftermath of imploding state socialism in Eastern Europe there are many who would claim that only capitalism is able to deliver sustained economic growth. The PRC case would seem to suggest otherwise, or that capitalism itself requires redefinition. In particular, where Western capitalism developed through the actions of a capitalist class independent of the state, capitalist development in the PRC emphasises the continued social basis of its new rich in the party-state.

MANIFESTATIONS OF NEW WEALTH

Even a cursory glance at some of the most obvious manifestations of new wealth in the PRC reveals the extent of economic as well as political change wrought since the start of the reform era in 1978. In November 1991 the newly introduced mobile-phone number 900-888 – containing three 'lucky eights' – was auctioned by the local post bureau in Dalian, Northeast China, and realised 18,000 yuan RMB.[4] By January 1992, at a similar auction in Chongqing in China's southwest, the cost of another telephone number, this time containing four 'lucky eights', had risen to 50,000 yuan RMB;[5] and in January 1993 the Hangzhou entrepreneur Chen Jinyi paid 130,000 yuan at auction for the mobile-phone number 58888.[6] Quite apart from the cost of a 'lucky' number, a mobile phone itself costs some 25,000 yuan RMB to buy, install and register, and has high monthly service and user charges.[7]

It is estimated that 55,000 people a day regularly pass through the McDonalds restaurant in central Beijing – China's first, opened in 1992 – to pay much more than most Chinese will earn in a fortnight for a hamburger.[8] Further McDonalds restaurants have opened in or are planned for Xiamen, Shanghai, Guangzhou and elsewhere. At the upper end of the wealth scale, in 1993 there was even considerable speculation in the Chinese press as to the number of millionaires to be found in the PRC.[9] Yet the essential context to the emergence of both individual affluence and publicly displayed wealth is an economy in which GNP per capita was 1,686 yuan RMB per year during 1992, and in which the average urban worker earns about 3,250 yuan RMB per year, or roughly 270 yuan RMB per month.[10]

China's new rich are the direct beneficiaries of the era of reform and rapid economic development initiated at the 3rd plenum of the 11th Central Committee of the CCP in 1978. Previously, although the PRC certainly had its relatively wealthy, at least in terms of access to goods and services, conspicuous consumption and individual wealth creation were largely regarded as hostile acts by the CCP. With the early 1980s the previous negative official attitudes towards wealth were replaced by new and more positive imperatives: 'Don't be afraid to be rich' and 'Let a few get rich first, then the rest will follow suit.'[11]

Even so, the extent to which old habits die hard is quite remarkable. Many Chinese remain equivocal about the existence of the new rich, who are simultaneously admired and despised for their wealth. They are, for example, sometimes even referred to in quaintly old-fashioned (or at least interwar English) terms as 'parvenus' or 'upstarts'.[12] Often an instinctive reaction is to attribute individual economic wealth solely to official corruption, or other illegal arrangements, rather than simply emphasising economic growth. To the extent that the new rich are seen as a product of economic change, they are equated solely with the private sector whose growth has been encouraged as part of the reforms initiated in 1978. Indeed, it is a common belief that all private entrepreneurs are wealthy.

Given that China's economy grew at an average of about 9 per cent a year from 1978 to 1991, and then at official rates of about 13 per cent in both 1992 and 1993, the observation of individual affluence is perhaps less interesting than its potential consequences, political as well as social and economic. Recent developments elsewhere in East and Southeast Asia – notably Taiwan, South Korea and Thailand – where previously authoritarian but modernising regimes have accepted or implemented political liberalisation after periods of rapid and successful economic growth, seem to present lessons for the PRC. In particular, they suggest the growing political importance of the professional middle classes and the new business classes generated by the processes of modernisation.

The potential of new social forces to bring about social and political change has certainly been recognised within the PRC. In 1988 the famous six-part television series *River Elegy* critically examined China's history and traditions and in one programme highlighted that potential when seeking desperately for agents of change:

> Perhaps the new entrepreneurs, people of average appearance who have nothing surprising to say, are the ones with the real power to change things: small shopkeepers, businessmen on the move, even peasants who move to look for work. Perhaps among them a new force is gathering, an

energy that can be directed toward social change. We must not underestimate them.[13]

The process of reform in China during the 1980s does at first sight certainly seem to suggest the possibility that substantial economic change may be followed by pressure for political reform, as new, independent (of the party-state) entrepreneurs seek to control their own, and presumably other people's, lives. Between 1978 and 1991 the state sector's share of industrial production fell from over three-quarters to little more than half. Government expenditure fell from 41.1 per cent of national income in 1978 to 23 per cent in 1989.[14] This apparent rolling back of the state has been matched by the growth of what seems at first sight to be an independent capitalism in the collective as well as the private sectors.

However, it is far from clear that reform in China during the 1980s has resulted in quite the same process of modernisation experienced by other countries in the region during the recent past. The identity of China's new rich, though important, is consequently somewhat obscured. Although some private entrepreneurs are extremely wealthy, many more merely have an average income or worse.[15] Similarly, although there is both corruption and illegality, the causes and consequences of the emergence of China's new rich are likely to be more complex.

RESTRUCTURING THE PARTY-STATE

To regard China's economic development since 1978 and the start of the reform programme as modernisation is accurate but misleading. The economy had also achieved a high growth rate from 1952 to 1978 – an average of 6 per cent per annum of GNP – despite year-on-year fluctuations, some of which, such as the worst excesses of the Great Leap Forward, were severe. Well before 1978 China had already achieved some of the milestones usually associated with the process of modernisation: the creation of a modernising state system and bureaucracy; a higher percentage of GNP derived from industrial rather than agricultural production; and the growth of a substantial service sector of the economy.

For China's economy in the late 1970s the major problems were not simply those associated with low levels of growth, but the inefficiencies of a Soviet-style economy, albeit one adapted to China's conditions. A wholesale economic restructuring was required to redistribute resources into more productive channels with greater potential for long-term sustained economic growth – notably a transfer from heavy to consumer industrial production. In the shorter term there was a need for limited but intense economic stimuli to selected parts of the economy.[16]

The distinction between modernisation and economic restructuring is important to understanding the genesis, location and aspirations of China's new rich in the 1990s. In the first place, unlike elsewhere in East and Southeast Asia, China's new rich do not generally include the professional middle classes. A modernising elite based on state bureaucrats, managers of state enterprises and technocrats already existed in China before 1978. The new rich of the 1980s and 1990s, as opposed to those older modernising elites created in the 1950s, are inherently more entrepreneurial: specifically those able to take advantage of the changed policies of the reform era. These include most notably the introduction of market economics into an economy that was previously command-oriented; the changing role of the state from direct economic management to indirect market supervision; and the opening of the domestic economy not only to international trade but also foreign investment.

Understanding the PRC's development since 1978 as economic restructuring rather than *ab initio* modernisation also helps to explain the central role of the party-state. Capitalist development has had its genesis in the already developing party-state, and its economy, in a number of ways. Necessarily new developments of all kinds have taken many of their trained and experienced staff from the party-state. Equally as necessarily, this meant that the networks managers and administrators utilise to ensure that their supplies, distribution and political security all reflect the earlier relationships of the party-state.[17] Moreover, new entrepreneurs and enterprises, starting without the benefit of such networks, need to, and do, access them as quickly as possible.

Perhaps the most important way in which current developments have their roots in the party-state is through the reallocation of state or public sector assets and resources, usually to a collective enterprise. There are basically two different methods of appropriation. A state sector enterprise finds that it can make a profit from its previously under-utilised resources by meeting a market need and providing goods or services to the economy outside the plan. A collective enterprise is thus established by the state enterprise. Effectively the pattern is one of a parent company with subsidiary companies, and sometimes remarkably even holding ('briefcase') companies. Usually resources and assets from the parent company are used to start the collective enterprise at essentially no cost to the new enterprise. The state enterprise provides the time of its workers and managers, land, equipment, buildings or whatever resources are required as its equity in the new collective enterprise. A simple and common form of such asset appropriation is where state sector enterprises have opened restaurants, simultaneously improving their canteen facilities.

The second path to appropriation occurs when local government or a state sector enterprise or unit decides that an activity is no longer economically viable within the state sector. It has often proved the case that the management or workforce engaged in that activity has decided to attempt its continuation in the collective sector as an independent unit. A local government might determine that it could no longer maintain its transport department, but a new transport company could well be formed using the vehicles previously available. An unproductive workshop might be hived off from its original plant. Equipment and other assets represent an investment or a loan which is rarely realised or repaid. As one manager commented, 'The original funds belonged to the people, and we are the people.' Quite apart from the ability to respond to market opportunities, one major advantage in the transfer of resources is that most of the new collectives have been able to avoid the labour regulations that apply in the state sector and to save on the additional costs of pension schemes, health and welfare insurance.

However, it is important to recognise that these developments represent not the privatisation of the economy but the continued, if transformed, influence of the party-state. Official distinctions among and categorisations of enterprises by ownership system can be misleading. The PRC recognises state, collective, private and foreign-funded sectors. The state sector of the economy is not the only public sector, but that part of it governed by the state plan. The collective sector is the non-planned part of the state economy: that is, its supplies and inputs, labour force and operations, and distribution is not governed by the state plan. The huge growth in the collective sector which is expected to double from producing 24 per cent of industrial ouput in 1978 to 48 per cent by the year 2000,[18] thus does not of itself represent the rolling back of the state.

Moreover, and in any case, with the reform era the meaning of enterprises registered as part of the collective sector has become extremely attenuated.[19] For a variety of reasons, many enterprises that are part of the state, private and foreign-invested sectors have been registered as collectives. In practical as opposed to ideological terms the definition of a collective has come to be that at least one of the partners in the enterprise is a governmental agency or part of the state sector. Even in those collectives formed by initially individual entrepreneurs with private capital and seeking to escape the small-time and to upgrade, enlarge, recapitalise and secure their enterprises, partnership with local government is the necessary step to collectivisation.

The centrality of the party-state in economic development in the PRC also helps to explain the apparent lack of political articulation by the new

rich. Those who have come from or remain part of the party-state do not need to chase political goals. Those, and they are the minority, whose background is outside the party-state have so far concentrated on the search for wealth and status rather than political power, not least because of the entrenched political position of the established elite.

Necessarily, given the complex processes of economic growth and development, China's new rich of the 1990s are not a single cohesive group. Official statistics and categorisations of social stratification, enterprise structure and ownership systems provide little reliable help in disaggregation. The categories of description for official statistics were inherited from the Soviet Union and Marxism–Leninism and their content has become considerably less meaningful with the radical changes of the reform era. None the less, it is possible to identify different broad categories of China's new rich according to the bases of their wealth and influence, and the nature of their activities.

OWNER-OPERATORS

The most visible, or at least the most highly publicised, of China's new rich are the owner-operators, private entrepreneurs who have developed their own businesses. These owner-operators have been a new departure and a key feature of the reform era, originally, in the early 1980s, regarded by the CCP as rather small-scale entrepreneurs who could be mobilised to meet the demands for flexibility and other demands not easily met by the planned economy. Thus, the retail sector of the economy rapidly came to be dominated by owner-operators. However, as the state withdrew from direct economic management of enterprises and market reforms were introduced, owner-operators developed larger enterprises in a wider range of activities, notably light industry. Similarly, whereas the first owner-operators were individuals with what had previously been regarded as unsatisfactory political backgrounds, and thus had other channels of advance blocked to them, economic expansion and the changed political environment by the 1990s meant that owner-operators were drawn from a wide range of society.

One reason for the high profile of owner-operators is their conspicuous wealth. In a society where in the recent past any consumption was regarded as conspicuous and where with few exceptions private entrepreneurship was discouraged, its relatively sudden re-emergence is likely to be equated, at least in the popular mind, with untold wealth. However, it is quite clear that far from all owner-operators have businesses that can become large-scale or are themselves wealthy. The vast majority of owner-operators are business people on a very small scale indeed. For example, they are street

traders, hairdressers, shop-owners; they run local repair shops or small eateries; and often earn less than they did before striking out on their own. One reason for becoming or staying an owner-operator is often the non-economic choice of preferring to work for oneself.

The fabulously wealthy among owner-operators are the exception, but they exist throughout China. For example, at 1993 prices it would seem that in East China a steady annual income of about 20,000 yuan RMB, and personal assets of roughly 250,000 yuan RMB is regarded as 'comfortably well-off', although necessarily there are likely to be regional variations – somewhat more in Guangdong and the South, considerably less in the interior northern provinces. Yet there is a wide range of wealth and there are those with annual incomes of 10 million yuan RMB and assets in excess of 100 million yuan RMB. One such is Chen Jinyi, an industrialist and property developer in the Shanghai–Hangzhou region, who emerged spectacularly into the public limelight with his 'fire-sale' purchase of six bankrupt state sector factories in Shanghai in October 1992.[20]

Chen, who was only born in 1960, started off by raising bees and making honey, managing to save about 10,000 yuan RMB in three years, and diversifying into textiles, and later soft drinks. He now heads a large corporation employing 2,000 people, all of which has been developed to date from his personal assets but which is now considering going public on the Shanghai Exchange, and which includes a number of subsidiary companies including a joint venture in textiles with a Taiwan investor and joint investments in property development with a number of local government authorities.

A more typical example of the owner-operator is You Lianshan. You was born in the 1940s and had been handicapped as a child because his father, who had long since died, was said to have been a member of the Nationalist Party. Under such a political and social burden You and his family remained in poverty until the late 1970s. With the advent of the reform era You started raising quails for the local restaurant market and had amassed a working capital of some 20,000 yuan RMB by the mid 1980s, which he then invested in the development of a workshop producing a simple food-mixer and employing a handful of people. The enterprise was so successful that You was soon looking for additional space and labour to develop new product lines.

Until this time, You's company had been registered formally as a private enterprise but, for both political and economic reasons, if he wanted to continue to expand it was necessary to officially become part of the collective sector. The political reasons were relatively obvious and could be regarded at the time as a form of insurance policy against any further change of mind by the CCP. Economically, there is a better tax

environment for collective than private sector enterprises, and land and labour could be provided in cooperation with local government.

You therefore turned his company into a collective in order to grow, and in the process appeared to have surrendered his personal assets, although paradoxically both he and the local authorities, whose responsibility the new collective became, still regarded it as 'his' company. For a number of years, in the absence of any regulative framework, You formally only received a salary as manager, although in effect he had access to all the collective's assets. This unsatisfactory state of affairs was clarified in April 1993 with the establishment of a limited liability share-based company in which You is not only the manager and chief executive, but also the major shareholder. Other shareholders include the village and township governments where his factory is located. Quite apart from placing the previously informal partnership between You and the various local governments on a more formal and contractual basis, this arrangement – and more generally others like it which have been introduced in large numbers since the middle of 1993 – has the advantage for the party-state of ensuring the maintenance of labour health and welfare provisions in the company.

SUBURBAN EXECUTIVES

The development of so-called rural (or town and village) industry has been only slightly less publicised than the private sector within the PRC since 1978. However, not unsurprisingly most of this rural industrial development has actually been a function of urban development and located in the suburbs and what is only technically regarded as rural areas. Some 84 per cent of the industrial output by value (GNP) of so-called rural industry is based in the suburbs, specifically the rural districts of administratively higher-order cities and urban areas.[21]

The explanation for this phenomenon is the formality of the PRC's policy on urban and rural designations born out of a 1950s desire to control urbanisation. The boundaries between rural and urban areas were set at that time, as were different regulatory regimes for housing, work and economic management. Suburban villages had always benefited from the availability of both technical inputs to their production and urban markets for their output. They were consequently well placed to take advantage of decollectivisation and other aspects of economic reform in the early 1980s that were first implemented only in rural areas. This comparative advantage was further increased when economic reforms were extended to urban areas after October 1984, and economic activity began to grow exponentially. In many cases after a decade of economic growth the physical difference

between rural and urban areas is no more than a white line down the middle of a road, but there are significant differences in land usage and the regulation of economic management on either side of the road.

The villages and rural townships have not been slow to capitalise on their various advantages, and many of those closest to urban centres have ceased almost completely to be agriculture-based economies. Indeed in some cases small suburban villages are taking on the characteristics of industrial conglomerates. Although it may be an extreme example, one such East China suburban village of some twenty 'peasant' households now engages in almost no farming activities, and grows none of its own staple foodstuffs. Instead it owns ten major factories with a total annual profit in excess of 21 million yuan RMB (for 1992) and a whole host of retail and commercial enterprises which support and result from their industrial activities.

The economic wealth of these suburban villages is not personal but is wielded collectively on behalf of villages and townships by executives who form an important section of China's new rich. Although the personal wealth of these new suburban executives is not negligible – they will earn roughly 20,000 yuan RMB a year in salaries and bonuses or contract earnings – their real importance is the economic wealth that they control, not least because village enterprises often expand and develop subsidiaries in a largely unregulated way, so that they come to act as conglomerates owned nominally by the village. There are no national standards for management practices or economic activities, although there have been various attempts to establish uniformity at city level. However, it is interesting that these new suburban executives, and the new conglomerates over which they preside, have for the most part emerged from the previous collectivised economy. The former agricultural machinery repair workshops have been transformed into light industrial enterprises; village construction departments have moved into property development, and particularly the hotel and hospitality industries; local marketing and supply cooperatives have taken advantage of market reforms and become more specialised as well as economically efficient.

For the most part those who were the village-level cadres and administrators of the former activities have become the managers and executives of the new enterprises. Li Hongfu was born in 1950 in a suburban village to the north of Hangzhou. Although his education was interrupted by the Cultural Revolution he was able to teach himself accounting practices and business management during the 1970s, and by 1980 had become an official in a commercial department of the rural district government. Seeing Hangzhou's potential for tourism during the early 1980s he suggested that

the village should build and run a hotel on unproductive land that it had been forced to acquire several years previously inside Hangzhou's urban district boundaries. A somewhat disbelieving local government was eventually persuaded and Li was placed in charge of the hotel development with an initial capital of 1.5 million yuan RMB. The project was so successful that the village has now developed a further two hotels under his leadership, and without the need for further funds.

Although Yang Jianhua is in his mid-fifties and looks and talks like a CCP cadre he has in fact never been a party member. He now runs a suburban village conglomerate of six different factories, with a range of product lines including stationery, wire goods and plastic moulding, with fixed assets in excess of 21 million yuan RMB, all of which grew out of one commune's production brigade machinery repair workshop under his guidance. Although a native of the suburban village where he now lives, Yang left home in the early 1950s when he joined the People's Liberation Army (PLA) and was posted to northwest China. On demobilisation he entered university to study mechanical engineering, but unfortunately ran into the political uncertainties caused by the 'Hundred Flowers Movement' of 1957 and the Great Leap Forward, and found himself back in northwest China.

With the start of the Cultural Revolution, Yang volunteered to 'go down to the countryside' so that he could be posted back to his native village, where he proceeded to work as a tractor and machinery repairer until the mid 1970s. At that time he persuaded the village to let him turn the workshop into a factory, but received little support until the early 1980s. For local decision-makers the key economic factor that helped to convince them to support Yang was the promise of foreign markets and investment. Despite a total lack of foreign experience Yang negotiated contracts in both Japan and Hong Kong, and has used his contacts to expand the village's industrial operation.

STATE CAPITALISTS AND MODEL MANAGERS

In general, managers of state and collective sector enterprises clearly cannot be considered part of China's new rich, particularly where their specific enterprises existed before the start of the reform era. However, some have used the opportunity offered by the introduction of market reforms to radically alter their own enterprise structure, and some have even become distinguished formally as 'model managers'. In the state sector, and even in nationally prestigious heavy industrial concerns, some managers have transformed themselves into a form of state capitalist by decentralising their corporations and establishing conglomerates. Managers of 'all-people's' enterprises – owned

in principle by other state bodies, economic and otherwise – and those in the collective sector have frequently been awarded 'model' status for the achievement of financial independence.

Again, as with the suburban executives, personal wealth, although it certainly exists, is less important than the control of economic wealth. The new breed of state capitalists, like their predecessors in the state sector, are ultimately responsible for considerable investments of state capital and the employment of large numbers of people. Model managers are also important because of their control of wealth, but their influence is also indirect in that by definition they are held up for emulation by the party-state system.

The director of a chemical processing plant in north China is a good example of the new kind of state sector managerial capitalist. In his early fifties and educated in chemical engineering at Qinghua University in Beijing, where he joined the CCP, he served in Shenyang and Wuhan before joining his current company as deputy director in the early 1980s. There he was part of the management team that helped to reorganise the company in a process that basically made each section and workshop a separate economic entity producing for the wider market as well as for the parent company. Thus, for example, the transport pool established a trucking company; the glass products workshop became a company producing glass receptacles for other industrial concerns and has been so successful that it is no longer organisationally related to its parent plant.

Zong Qinhou, the general manager of the Wahaha Corporation, is an excellent example of a model manager. The Wahaha Corporation originated as an 'all-people's' enterprise, an economic enterprise attached to a primary school in Hangzhou. Such enterprises had been created during the Cultural Revolution to provide students with work exprience, and if possible to earn money in the process. In this case the primary school had established a factory making paper and stationery. Zong, who was born in 1945, was originally a teacher and succeeded to his mother's teaching post at Youdian Road Primary School when she retired in 1978.

In the mid 1980s three of the staff came together under Zong's leadership to see if they might not develop a more profitable enterprise. Wahaha, a soft drink specifically targeted at children, was the result. (Wahaha was somebody's brother's childhood nickname and, like the shape of the bottle and much else besides about the exercise, was deliberately chosen as a marketing ploy after considerable research.) From an initial capital of 140,000 yuan RMB the original company has now become a conglomerate with several associated companies whose total assets are worth more than 400 million yuan RMB, employing several thousand workers, and about to become a traded enterprise on the Shanghai Exchange.

Having conquered the domestic market, where its advertisements are as familiar as the drink is popular with children – everyone recognises its TV advertisement: 'Mama, I want Wahaha' (and by implication, nothing else will do) – the company is now turning its attention to Taiwan and the Chinese communities of Southeast Asia. For his efforts with Wahaha, Zong has been designated a 'model worker'. Although his managerial salary is only 400 yuan a month he earns considerably more in bonuses, from the contract negotiated with the Hangzhou Department of Education who are nominally responsible for Wahaha, and from the state for being a model worker.

WHEELERS AND DEALERS

Economic development during the 1980s and into the 1990s has occurred with a weak and often non-existent financial infrastructure. The need for credit facilities, the provision of ready investment, and the facilitation of both has created considerable space for middlemen and brokers. It has also meant that individuals with relatively liquid funds of their own or with access to such funds have been much in demand as potential investors. Both middlemen and investors are an essential part of the new economic environment, and in some cases considerable personal wealth has been amassed.

Of course one of the problems in analysing such activities is that they exist on the boundaries of the permissible and the questionable. Certainly not all such behaviour can be described as either illegal or not permissible. The legal framework is frequently unclear or ambiguous, and there is a general imperative for unused or under-utilised resources to be used efficiently and productively. At the same time it is equally as certain that specific aspects of the current economic system can be and are exploited for all they are worth, as for example when individuals contract for the provision of service. Particularly where cadres become entrepreneurial both within and outside public service, there is not only cause for concern but also the possibility of misjudging cadre behaviour as either criminal or unacceptable when it may in fact be neither.[22]

The most obvious examples of the middleman role are found in the share-trading houses that have been established in the wake of the fast-growing open exchanges of Shanghai and Shenzhen. Most cities now have fairly large trading houses in their central business districts. Each carries share listings and other indicators in its window and during trading hours a large crowd will usually gather. However, the major trading, as in the money markets (mainly the 'swap shops' for foreign exchange), all takes place well off the streets and out of public sight.

The less obvious wheelers and dealers among the new rich are to be found in the private deals that depend on personal ties and access to the party-state system. A particularly illustrative example concerns a one-time academic who by 1993 had managed to build a personal wealth of more than 6 million yuan RMB and was about to develop a major entertainment centre including 'one-armed bandits', several restaurants and fast-food outlets and a discotheque. The academic was originally a teacher of foreign languages who had savings of about 20,000 yuan RMB from translation fees by the mid 1980s. Looking for an investment, his wife put him in touch with the Director of the Personnel Department of the state sector enterprise in which she worked. Together with another cadre who had contacts in the local food supply system, he went into business and established a restaurant, supported by a number of other investors. The specific contribution of the Director of the Personnel Department was that he put the new business in touch with the local retired cadres' association. In return for a fixed annual payment to the retired cadres' association – a fee fixed by a contract for three years at a time – the restaurant operated as a tax-exempt charity in the name of the association. At the same time costs were further reduced because the restaurant was located in a previously unused area of a public building with a relatively low rent paid to the municipality. As soon as the area had been converted to restaurant usage, the investors were offered five times their original investment for the business before trading had started. By 1992 the restaurant was clearing 1.2 million yuan RMB a year and the academic, building on his contacts, had been able to diversify his interests quite considerably. He is now engaged in various enterprises including foreign joint ventures with partners from Taiwan and Hong Kong in different aspects of the entertainment and leisure industry.

TREND-SETTERS

A final section of the new rich is important because of its influence rather than its access to absolute wealth, although most are also by no means poor. They are the trend-setters: those who constantly appear in the public eye and set the standards, socially and economically, that others follow. Almost by definition, the new rich are very fashion-conscious – in its widest senses beyond just clothes and personal appearance. Although they undoubtedly set the trends for the new middle classes to ape, albeit at a discounted rate, the patterns of conformity for the new rich themselves are to be found in the newly emergent 'star culture' created around sports stars, pop music idols and television personalities; the activities of the 'princelings', the high-

profile children and grandchildren of high-ranking cadres; and, at the more local level, the world of the private restaurateur.

Some of the new rich conformities to have emerged in the late 1980s and early 1990s are quite clearly universal functions of economic growth and ape new rich behaviour elsewhere historically. One of the first investments made as personal wealth increases is to buy a house, although the costs vary greatly as between rural and urban areas, with the latter frequently twelve to fifteen times more expensive for roughly the same size of house. Cars, and particularly the most obvious luxury cars, also have an immediate appeal for the new rich although in most cases they are technically bought by the enterprise rather than the individual. Both Rolls-Royce and Cadillac have done excellent business in China during 1992 and 1993.[23] Similarly, China's new rich attempt to provide their children with a good education.

At the same time, some of the trends set by and for the new rich are more specific to the time and place. The most obvious example, as already noted, is the mobile phone which has become a potent status symbol, and is worn or carried accordingly. Interestingly, a key role in trend-setting appears to be played by the new private restaurants and their proprietors. In the absence of other fora, these restaurants clearly play a public role for the dissemination of information and the conduct of business. Of course, not every restaurant serves such a function, nor is every restaurateur wildly successful. However, every city now seems to have a handful of extremely successful restaurants in this category. Their proprietors recognise the importance of their clientele and of catering to their demands, not least by establishing a fresh style every year.

For example, in Hangzhou during 1992 a hint of foreign decor, be it Japan, Thailand or Southeast Asia, was regarded as necessary for the best of the new private restaurants (although all served basically the same kinds of local dishes). In 1993 the fashion was for the new private restaurants to emphasise exclusivity in small dining rooms modelled on English country houses of the eighteenth century, with Palladian arches, statues of Greco-Roman gods, oil paintings of the master and mistress of the house, and appropriate table settings. In the process, of course, the new-style restaurateurs themselves become relatively wealthy trend-setters.

An arch-exponent of the English country-house style in Hangzhou is Zhang Weishuo. Born in 1956, Zhang's previous experience was as a salesperson for a state-run agricultural product company. He started the restaurant with an original investment of half a million yuan RMB, all of which was borrowed. Although the restaurant employs over fifty people it only has seven tables and can only cater for a hundred people when full.

Zhang markets exclusivity, and it seems to work. The restaurant is usually fully booked three weeks in advance, with reservations from government and party institutions, state and collective sector enterprises, as well as private business people. The restaurant provides Zhang with an annual profit of a million yuan RMB, and in 1992 he established a trading company as an additional and separate interest.

CAPITALIST REVOLUTION AND THE PARTY-STATE

China's economic development since 1978 has certainly produced its own new rich: new categories of the wealthy and wielders of economic power. These are not to be found so much within the ranks of the professional middle classes as within the emerging business classes. Although the most spectacular and ostentatious of the new rich may be owner-operators, the more significant and numerous new wielders of economic power are to be found elsewhere, among the executives and managers of the various sectors of the rapidly expanding collective sector.

However, there is as yet very little evidence to suggest that these new rich represent the development of an independent capitalism. On the contrary, the conditions of operation for most enterprises, and the structures of ownership and control in the economy as a whole, point to the continued importance of the party-state in economic development, and particularly industrialisation. The party-state's role may have changed, but it is far from having withdrawn.

At the same time, it seems relatively obvious that many of the new rich are behaving like capitalist entrepreneurs in economic development. Above all they are the economic actors in contemporary China with access to funds which they are prepared to reinvest in capital development. Their behaviour is not only economically rational and profit maximising. It is socially also often reminiscent of crude caricatures of nineteenth-century European capitalists, as for example in the lack of provision of labour insurance or pension funds. The latter is frequently defended on the grounds that the workforce is young and not in need of a pension for some long time ahead.

Considerations of the new rich as potential capitalists necessarily raises the tendentious question of ownership. By definition the managers of state and collective enterprises in the PRC are not the owners. However, it is far from clear that ownership is as important as control, both generally and in this specific case. Certainly in the collective sector many managers consciously behave as if they were owners and the relationship is often ambiguous. A substantial proportion are indeed the previous owners where the collective enterprise emerged from the private sector, and they are often aggressively

defensive of their interests. For others there is not just a sense of personal investment and commitment, but of responsibility, which may have something to do with the emergence of collective enterprises from relatively small communities. One manager of a suburban village collective enterprise even described his appointment not as such, but as an inheritance.

The close relationship between the party-state system and the new rich is necessarily a major source of the critique of corruption. Certainly, enterprise managers require good connections with various sections of the party-state in order to survive, let alone prosper. Certainly too, there will be behaviour, particularly for personal gain, which by any standard must be judged as corrupt. However, the process of asset appropriation which has contributed to the growth of the collective sector needs to be clearly differentiated from corruption, or misappropriation. It is a reallocation of resources that is in a sense officially encouraged on grounds of efficiency and increased productivity. The problem is that the line between corruption and the more acceptable transfer of resources has not been clearly defined.

Despite, or more probably because of, the continued role of the party-state in economic development, the entire process of economic restructuring which has taken place in the PRC since 1978 has only been summarily regulated. The CCP's ideological prescriptions, and their emphases on ownership systems, have limited its ability to regulate the new departures in economic management, particularly in the collective sector. In consequence, some of the key features of capitalism more generally understood – as for example asset control, accountancy and even accountability – remain largely undeveloped. Presumably with yet further economic growth and development not only will such regulation be introduced, but it will generate still further categories of new rich. Presumably too, as the growth of the legal profession since 1978 demonstrates, these will also emerge from within and maintain a close relationship with the party-state.

NOTES

1 David Lane, *The Socialist Industrial State*, London: Allen & Unwin, 1976, provides an excellent introduction to the comparative politics and economics of state socialism.

2 For example: R. M. Glassman, *China in Transition: Communism, Capitalism and Democracy*, New York: Praeger, 1991, emphasises the similarities with capitalism; D. J. Solinger, *China's Transition from Socialism: Statist Legacies and Market Reforms, 1980–1990*, New York: M. E. Sharpe, 1993, emphasises the differences.

3 For further discussion, see David S. G. Goodman and Gerald Segal, *China Deconstructs: Politics, Trade and Regionalism*, London: Routledge, 1994.

4 'It's Your Lucky Number', *China Daily*, 10 November 1991, 4. One yuan RMB (People's Currency) equals approximately US$0.10.
5 '"Lucky" Numbers Fetch High Prices', *China Daily*, 27 March 1992, 4.
6 The information on China's new rich presented in this chapter was derived from research undertaken at the Asia Research Centre on Social, Political and Economic Change, Murdoch University, Western Australia. Longitudinal studies of some 120 entrepreneurs in Hangzhou, Zhejiang Province (in East China), Taiyuan, Shanxi Province (in North China) and Zhongshan in Guangdong Province (South China) started in 1991 and continued until 1994.
7 'Mobile Phones Prove that Money Talks', *China Daily Business Weekly*, 3 November 1991, 1.
8 *China Daily*, 21 July 1992, 2.
9 See for example *China Daily*, 12 March 1993.
10 Unless indicated otherwise, statistics for China are derived from the 'Statistical Communiqué on National Economic and Social Development in 1992', *China Daily (Business Weekly)*, 29 March 1993, 4; *Zhongguo tongji nianjian 1992*, Beijing: Zhongguo Tongji Chubanshe, 1993.
11 See for example O. Schell, *To Get Rich is Glorious: China in the 80's*, London: Robin Clark, 1985.
12 See for example *China Daily*, 13 May 1991, 6.
13 Episode 6, quoted in G. Barme and L. Jaivin, *New Ghosts, Old Dreams*, New York: Random House, 1992, 156.
14 A. Hussain and N. Stern, *Effective demand, enterprise reforms and public finance*, CP 10 (March 1991), LSE Development Economics Research Programme.
15 See, for example, Susan Young, 'Policy, Practice and the Private Sector in China', *Australian Journal of Chinese Affairs*, 21, January 1989, 57.
16 D. J. Solinger, *From Lathes to Looms: China's Industrial Policy in Comparative Perspective, 1979–1982*, Stanford University Press, 1991.
17 D. J. Solinger, 'China's New Economic Policies and the Local Industrial Political Process: The Case of Wuhan', in *China's Transition from Socialism*, New York: M. E. Sharpe, 1993.
18 *Wen Wei Po*, 13 July 1992, 5.
19 For discussions of this and related issues, see Victor Nee, 'Organizational Dynamics of Market Transition: Hybrid Forms, Property Rights, and Mixed Economy in China', *Administrative Science Quarterly*, 37(1), 1992; and David S. G. Goodman, 'Collectives and Connectives, Capitalism and Corporatism: Structural Change in China', *Journal of Communist and Transition Studies*, 11(1), March 1995, 12.
20 *Yangcheng Wanbao*, 31 October 1992.
21 *Zhongguo chengshi tongji nianjian 1990*, Beijing: Zhongguo Chengshi Tongji Nianjian Chubanshe, 1991, 8ff.
22 Tan Hongkai, 'Moonlighting Cadres', *China Daily*, 30 September 1992.
23 Xiao Xie, 'Rolls-Royce's Sales are Gathering Speed', *China Daily*, 3 July 1993.

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Richard Robison is Director of the Asia Research Centre at Murdoch University. **David S. G. Goodman** is Director of the Institute of International Studies, University of Technology, Sydney.

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